

# POSITION PAPER



## **ESBG's comments on the EFRAG's response to the ED Initial Application of IFRS 17 and IFRS 9 – Comparative Information**

ESBG (European Savings and Retail Banking Group)

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ESBG Transparency Register ID 8765978796-80

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Dear Sir/Madam,

Thank you for the opportunity to comment on the EFRAG Draft Comment Letter in response to the IASB's Exposure Draft Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Proposed amendment to IFRS 17). We would like to share with you the following reflections that we hope will be considered by EFRAG.

## **A. ESBG's general comments:**

ESBG welcomes the opportunity to comment on the EFRAG's draft Comment Letter on the Exposure Draft Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Proposed amendment to IFRS 17).

We represent the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. ESBG unites at EU level around 900 banks that provide retail banking services, including for certain banks the provision of insurance coverage and related services to their clients. This letter represents the consensus view of ESBG, including the financial conglomerates that are represented.

ESBG supports a high-quality standard for insurance contracts accounting, and we believe that this amendment will allow insurance entities and financial conglomerates to provide more useful information about their activities for users, as the information will be more comparable.

ESBG agrees with the IASB proposals in the ED because these would:

- Provide better comparability in the financial statements, alleviating accounting mismatches between financial assets and insurance contract liabilities in the comparative period;
- Ease the operational challenges for those entities who want to restate the comparative information under IFRS 9; and
- Not prejudice those entities that do not want to restate the comparative information under IFRS 9.

However, there is one point that we would like to bring to your attention. More specifically, we believe that that ED should specify that the impairment requirements in Section 5.5 of IFRS 9 "are permitted but not required to apply". The current wording in the ED only says in fact that entities are not required to apply them when using the overlay approach, but in our opinion, it would be very clear that entities have a choice of whether or not to apply the impairment requirements.

Lastly, ESBG requests EFRAG to include in its endorsement advice to the European Commission a reference to permit this approach to roll-up into conglomerate groups, not only at the level of the insurance companies.

Having made these general remarks, please find in the appendix 1 below, ESBG's responses to the specific questions posed by EFRAG in its draft comment letter, including our view on the IASB's questions included in the exposure draft.



## **B. ESBG'S response to specific questions of the IASB in the exposure draft and to the notes to constituents of the EFRAG**

**Question 1: Do you agree with the proposed amendment in this Exposure Draft? Why or why not? If not, what alternative do you propose and why?**

ESBG agrees with the proposed amendment and supports the comments made by EFRAG in its draft comment letter, with no additional comment.

Nevertheless, ESBG would like to share a change to the wording. We would prefer the ED to specify that the impairment requirements in Section 5.5 of IFRS 9 "are permitted but not required to apply". The current wording in the ED only says that entities are not required to apply them when using the overlay approach, but in our opinion, it would be very clear that entities have a choice of whether or not to apply the impairment requirements.

In addition, we would like to mention that the Exposure Draft does not comment on disclosure implications arising from the classification overlay. In this respect, it is not clear if IFRS 9 transition disclosures would be required at both the effective date of 1 January 2023 as well as at the transition date which under the classification overlay approach would be 1 January 2022. Requiring disclosures at both dates may confuse the users of the financial statements as to why IFRS 9 transitional disclosures are provided for two different years. Furthermore, two sets of transitional disclosures would create an operational burden for no added benefit. The amendment to IFRS 17 should therefore clarify that IFRS 9 transitional disclosures are only required as at 1 January 2022, given that first application impacts in equity for IFRS 17 will refer also to this date, but not at both dates.



## About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.



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