

POSITION PAPER



EFRAG's Draft Letter to the European Commission Regarding Endorsement of Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)

ESBG (European Savings and Retail Banking Group)

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ESBG welcomes the opportunity to comment on the EFRAG's Draft Letter to the European Commission Regarding Endorsement of Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17).

We represent the locally focused European banking sector, helping savings and retail banks in 18 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 insurance activities for users, as the information will be more comparable.

ESBG agrees with the IASB proposals in the Amendment 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.

Therefore ESBG considers that the Amendment meets the technical criteria for endorsement, is conducive to the European public good and hence can be recommended for EU endorsement.

Although ESBG agrees with EFRAG's conclusion, we suggest EFRAG including 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. We have noticed that in the Appendix 2 it is mentioned that it is outside EFRAG's mandate, however ESBG would prefer to include this point to ensure that the EC evaluates the need, if any, to make an extension by the Commission of the amendments which have been just issued by the IASB when endorsing them.

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 letter, including our view.



APPENDIX 1: INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON IFRS 17 AND IFRS 9 – COMPARATIVE INFORMATION (AMENDMENT TO IFRS 17)

Once filled in, this form should be submitted by 19 January 2022 using the 'Comment publication link' available at the bottom of the respective news item. All open consultations can be found on EFRAG's web site: [Open consultations: express your views.](#)

EFRAG has been asked by the European Commission to provide it with advice and supporting material on *Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)* ('the Amendment'). In order to do so, EFRAG has been carrying out an assessment of the Amendment against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendment is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

EFRAG's initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of the Amendment.

Your details

1 Please provide the following details:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

ESBG

- (b) Are you a:

Preparer User Other (please specify)

Banking Association

- (c) Please provide a short description of your activity:

ESBG represents the locally focused European banking sector

- (d) Country where you are located:

Belgium

- (e) Contact details, including e-mail address:



EFRAG’s initial assessment with respect to the technical criteria for endorsement

2 EFRAG’s initial assessment of the Amendment is that it meets the technical criteria for endorsement. In other words, the Amendment is not contrary to the principle of true and fair view and meets the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting. EFRAG’s reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment.

(a) Do you agree with this assessment?

Yes No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG’s endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment that you believe EFRAG should take into account in its technical evaluation of the Amendment? If there are, what are those issues and why do you believe they are relevant to the evaluation?

Although ESBG agrees with EFRAG’s conclusion, we suggest EFRAG including 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. We have noticed that in the Appendix 2 it is mentioned that it is outside EFRAG’s mandate, however ESBG would prefer to include this point, to ensure that the EC evaluates the need, if any, to make an extension by the Commission of the amendments which have been just issued by the IASB when endorsing them.

The European public good

3 In its assessment of the impact of the Amendment on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment.

Improvement in financial reporting

4 EFRAG has identified that in assessing whether the endorsement of the Amendment is conducive to the European public good it should consider whether the Amendment is an improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 7 of Appendix 3 of the accompanying *Draft Letter to the European Commission*). To summarise, EFRAG’s initial assessment is that the Amendment is likely to improve the quality of financial reporting.

Do you agree with the assessment?

Yes No



If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Costs and benefits

- 5 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendment in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 8 to 14 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment. To summarise, EFRAG's initial assessment is that the Amendment is likely not to result in significant costs for preparers and not directly impact users.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 6 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendment. The results of the initial assessment of benefits are set out in paragraph 15 to 16 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendment. To summarise, EFRAG's initial assessment is that both preparers and users will benefit from the Amendment.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

- 7 EFRAG's initial assessment is that the benefits to be derived from the Amendment in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved, as described in paragraph 5 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.



Overall assessment with respect to the European public good

- 8 EFRAG has initially concluded that endorsement of the Amendment would be conducive to the European public good (see paragraphs 18 to 21 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

Yes No

If you do not agree, please explain your reasons.



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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