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EFRAG Research Project Equity Instruments - Impairment and Recycling Cover note

Objective of the session

- 1 The objective of this session is to discuss a draft of the problem definition phase report to the European Commission ('the EC') and agree to send the report to the EC.

Background

- 2 Following the endorsement of IFRS 9 *Financial Instruments* the EC requested EFRAG to investigate the potential effects of IFRS 9's requirements on accounting for investments in equity instruments on long-term investment. In the first phase of the project, EFRAG was asked to collect quantitative data on the current holdings of equity instruments and their accounting treatment; and enquire whether, and to what extent, entities expect that the new accounting requirements will affect their decisions in relation to investment in equity instruments.
- 3 The request from the EC has a second phase, for which EFRAG aims to issue a separate report by the end of the first half of 2018 following a public consultation.
- 4 The objective of the problem definition phase report (which is provided as agenda paper 09-02) is to present EFRAG's findings in relation to the problem definition phase of the EC's request. The findings are mostly based on:
 - (a) a public consultation conducted in 2017, which resulted in 26 respondents from the insurance, the financial services and non-financial sectors for years 2014-2016; and
 - (b) a review of a sample of annual financial statements of 2016 and 2015, which covered 30 and 38 entities respectively from various industries

Agenda papers

- 5 In addition to this cover note, agenda paper 09-02 *Issues paper on problem definition phase report Board 17-12-14* has been provided for the session.

Questions for the EFRAG Board

- 6 Does the EFRAG Board have any comments or suggestions on how to improve the problem definition phase report to the EC?
- 7 Does the EFRAG Board approve to send the problem definition phase report to the EC?