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## PIR IFRS 9 Impairment – Prioritisation of issues Cover Note

### Objective

- 1 The objective of this session is to prioritise the issues for the Post-implementation Review (PIR) of the impairment requirements in IFRS 9 *Financial Instruments* and the related credit risk disclosures in IFRS 7 *Financial Instruments: Disclosures*, and to develop an assessment of the technical merits of selected issues.

### Background of the IASB project

- 2 The IASB decided to start the PIR of impairment requirements in IFRS 9 and is starting by collecting information to identify the issues to be addressed. After the initial collection of information planned for Q3 2022 – Q1 2023, the IASB expects to publish the Request for Information (RFI) in Q2 of 2023.
- 3 The PIR consists of two phases: Phase 1 – Identify matters to be examined; and Phase 2 – consider feedback received. In the Phase 1, the IASB identified the following topic areas of impairment requirements to be covered:
  1. General approach to impairment;
  2. Determining significant increases in credit risk;
  3. Measurement of ECL;
  4. Credit-impaired assets on initial recognition;
  5. Simplified approach for trade in lease receivables;
  6. Loan commitments and financial guarantees;
  7. Disclosures; and
  8. Transition.
- 4 The IASB reminds that the objective of PIR is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements.
- 5 In order to make this assessment the IASB needs to know whether there are any:
  - (a) fundamental questions about the core objectives or principles – their clarity and suitability – that indicate that the new requirements are not working as intended; or
  - (b) specific application questions which not necessarily prevent the IASB from concluding that the new requirements are operating as intended but may nonetheless need to be addressed, if they meet the criteria for taking further action.

- 6 As part of the Phase 2, the IASB will consider whether to take action on its findings, based on the extent to which: (a) the objective of the new requirements is not being met; (b) benefits to users are significantly lower than expected; and (c) costs of applications are significantly higher than expected.
- 7 The IASB will determine the prioritisation of the findings based on the extent to which evidence gathered during the PIR indicates:
  - (a) the finding has substantial consequences;
  - (b) the finding is pervasive;
  - (c) the finding arises from a financial reporting issue that can be addressed by the IASB or the IFRS IC;
  - (d) the benefits of any action would be expected to outweigh the costs.
- 8 Prioritisation will result in findings to be addressed as soon as possible (high priority findings), findings to be added to the IASB's research pipeline or the IFRS Interpretations Committee's pipeline (medium priority findings), findings to be considered in the next agenda consultation (low priority findings), or no action findings<sup>1</sup>.

### **Background of the EFRAG discussions**

- 9 In anticipation of the publication of RFI and as a preliminary work, EFRAG reached out to its constituents and working groups to collect issues that they think should be raised during this process. In April-July 2022, the EFRAG Secretariat has held several meetings with EFRAG constituents and working groups and came up with a first comprehensive list of issues that have been reported to the IASB Staff, including at the ASAF meeting in September 2022.
- 10 The initial list of issues was discussed with EFRAG FR TEG-CFSS members in the June and September 2022 meetings. Agenda paper 05-02 takes into consideration the comments provided by EFRAG FR TEG-CFSS members during these meetings.
- 11 EFRAG FIWG and IAWG members discussed the EFRAG Secretariat's assessment on prioritisation of issues, as described in agenda paper 05-02, during their meeting on 30 January and 1 February 2023, respectively. A summary of their feedback is provided in paragraph 198 to 222 of agenda paper 05-02.

### **Next steps**

- 12 The EFRAG Secretariat will closely monitor the developments of the IASB project and continue discussions with EFRAG FR TEG, EFRAG working groups and EFRAG constituents to select and prioritise the issues to be included in its DCL.

### **Agenda Papers**

- 13 In addition to this cover note, agenda paper 05-02 – *IFRS 9 PIR ECL – Prioritisation of issues* – has been provided for the session.

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<sup>1</sup> See paragraphs 12–13 of the [Agenda Paper 1C](#) of the DPOC's June 2022 meeting.

**Questions for EFRAG FR TEG**

- 14 Does EFRAG FR TEG agree with the classification of issues identified as proposed by the EFRAG Secretariat in the table in paragraph 5 of agenda paper 05-02, column “**IASB Category**”?
- 15 Does EFRAG FR TEG agree with the assessment of the technical merits of issues identified as proposed by the EFRAG Secretariat in the table in paragraph 5 of agenda paper 05-02, column “**Criterion**”?
- 16 Does EFRAG FR TEG agree with the assessment of prevalence in Europe of issues identified as proposed by the EFRAG Secretariat in the table in paragraph 5 of agenda paper 05-02, column “**Prevalence in Europe**”?
- 17 Does EFRAG FR TEG agree with the assessment of priority in Europe of issues identified as proposed by the EFRAG Secretariat in the table in paragraph 5 of agenda paper 05-02, column “**Priority in Europe**”?
- 18 Does EFRAG FR TEG agree with the comments provided and proposed changes by EFRAG FIWG and IAWG members as described in paragraph 198 *et seq* of agenda paper 05-02?
- 19 Does EFRAG FR TEG agree with the list of issues in agenda paper 05-02? If no, what issues should be added or removed? Please explain.
- 20 Does EFRAG FR TEG have any other comments on the list of issues?