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Amendments to the Classification and Measurement of Financial Instruments

Cover Note

Objective

- 1 The objective of this session is to discuss the summary of the feedback received and to approve the Final Endorsement Advice ('FEA') on the *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7).

Background

- 2 The IASB has carried out a post-implementation review of the classification and measurement requirements in IFRS 9 *Financial Instruments* and related requirements in IFRS 7 *Financial Instruments: Disclosures* ('PIR'). The work performed by the IASB and the conclusions reached are summarised in the [Project Report and Feedback Statement—Post-implementation Review of IFRS 9 Financial Instruments—Classification and Measurement](#), published in December 2022.
- 3 To address the issues identified during PIR, in March 2023 the IASB published [the ED Amendments to the Classification and Measurement of Financial Instruments – Proposed amendments to IFRS 9 and IFRS 7 \(the ED\)](#).
- 4 EFRAG issued its [Final comment letter](#) (FCL) on 19 July 2023.
- 5 On 30 May 2024, the IASB issued [Amendments to the Classification and Measurement of Financial Instruments \(Amendments to IFRS 9 and IFRS 7\)](#) ('the Amendments'), where it took into account the feedback received from its stakeholders.
- 6 On 26 June 2024, EFRAG published its [Draft Endorsement Advice](#) ('DEA') letter and a separate invitation to comment relating to the endorsement for use in the EU of the Amendments on 27 June 2024 with a consultation period ending on 13 September 2024.
- 7 EFRAG's overall preliminary assessment is that the Amendments satisfy the criteria for endorsement for use in the EU and therefore recommends its endorsement. EFRAG is seeking comments on all aspects of its analysis supporting the preliminary conclusions.

Summary of the feedback received

- 8 The EFRAG Secretariat received five responses to its consultation: two from national standard setters and three from professional associations. All respondents agreed with the

EFRAG assessment that the Amendments satisfy the criteria for endorsement in the EU and with the EFRAG's analysis supporting this conclusion.

- 9 One respondent, representing insurance industry, highlighted the relevance of recycling issue, noted that the prohibition of recycling for gains or losses on disposal of equities accounted at FVOCI does not improve the financial reporting and, therefore, appreciated the EFRAG's commitment to monitor this issue.

EFRAG FIWG-IAWG feedback

- 10 EFRAG FIWG and EFRAG IAWG members discussed the feedback received at the joint meeting on 26 September 2024 and agreed with the EFRAG Secretariat assessment that the Amendments satisfy the criteria for endorsement in the EU. Members made the following comments.
- 11 A member suggested not to mention that the Amendments will result in increased use of amortised cost accounting, but rather in clarification of what features are in scope of the amortised cost and FVOCI measurement. This member also noted that the Amendments will not necessarily result in the changes to the accounting systems and suggested to delete this part from Appendix 3.
- 12 A member suggested to add to Appendix 1 that the amendments to the disclosure requirements are limited to contingent events not directly related to changes in basic lending risks and costs.
- 13 Another member suggested to add to Appendix 1 that EFRAG is monitoring the issue of recycling of equity instruments measured at FVOCI.
- 14 Following the feedback received, the EFRAG Secretariat incorporated the suggested changes to the drafting of the FEA.

Next steps

- 15 Following the today's discussion and after the EFRAG FRB approval, the EFRAG Secretariat to send the FEA to the EC and to publish it on the EFRAG website.

Questions to EFRAG FR TEG-FRB

- 16 Do EFRAG FR TEG-FRB members have any comments on the summary of the feedback received and the proposed drafting of the FEA?
- 17 Does EFRAG FR TEG recommend the FEA for approval to the EFRAG FRB?
- 18 Does EFRAG FRB approve the FEA for publication?

Agenda Papers

- 19 In addition to this Cover Note the Agenda Paper 07-02 - *Amendments to the Classification and Measurement of Financial Instruments DEA – Letter to the EC* is presented for this session.