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## **FBF comments on the EFRAG Research Agenda Consultation.**

The French Banking Federation appreciates that EFRAG published a consultation paper on its research agenda to seek comments on the strategic direction of its research activities.

In our view, performing research activities should remain a priority in the EFRAG work program. Proactive research work, notably through the various bulletins published by the EFRAG, positively contribute to the accounting debates within and beyond Europe.

Among the five possible research agenda topics that EFRAG has tentatively identified, we favour the two projects addressing new developments - Better information on intangible assets and Cryptocurrencies – as priorities. Indeed, these projects are an important matter at the European level and a reasonable solution could be reached in a timely manner.

The banking landscape is now changing resulting from new technologies and digitalisation and investing in software solutions, updates and development becomes crucial for banks to remain competitive. As acknowledged by EFRAG, internally generated intangible assets play an increasingly important role for the performance of the entity while not adequately recognised in the financial statements.

Our view is that the critical aspect of a better information of intangible assets is how these assets are presented on the face of financial statements in a relevant manner. Indeed, internally developed software are presented differently depending on whether they are accounted for under U.S. GAAP or IFRS standards. Whereas, under the former, software is classified as tangible assets, under the later they are classified as intangible assets. Therefore, we believe that the project should be addressed from an accounting presentation point of view. The major aspect to consider when assessing relevant features of intangibles for financial reporting is the distinction between intangible assets that represent customer databases or market shares and those resulting from costs incurred for the creation and development of banks' technological capabilities (software).

The rapid rise of cryptocurrencies has led to increased global awareness of various stakeholders, notably investors, regulators, governments and others. Concerning accounting implications regarding cryptocurrencies, there have been no formal positions adopted by standards setters on that topic to date whereas interested parties have an increasingly urgent need for accounting guidance. Besides, we share the EFRAG's views on the objectives of the project. However, we suggest to complete the holder's perspective ("assets" side) that seems to be retained to assess the accounting of crypto currencies with the issuer's perspective ("liabilities" side), so that to provide an overall opinion on the accounting matter.

Concerning the projects related to current financial reporting improvement, EFRAG notes in its consultation paper several issues, i.e. less attention given on derecognition within the Conceptual framework and other IFRS standards, different accounting treatments and different terms used for acquisition related costs and lack of consistent guidance across IFRS standards for variable and contingent payments.

The objectives of these projects are, first, to produce a comprehensive update of the different accounting treatments, before defining common principles to account for or to develop alternative accounting treatments, if need be. Thus, this is clearly an academic research approach. In addition, we have not observed such difficulties in practice that the projects should be considered as an urgent matter to European constituents. Besides, academic research projects take time for a good end outcome. On this basis, we consider that these projects have a lower priority.

For all the reasons mentioned above, we believe that EFRAG should focus its next research agenda on addressing the two projects related to new developments, i.e. Better information on intangible assets and Cryptocurrencies.

We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,