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(The Italian Standard Setter)**

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EFRAG
35 Square de Meeûs
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Re: EFRAG Preliminary Consultation Document regarding the endorsement of IFRS 16 Leases

Dear Jean-Paul,

We are pleased to have the opportunity to provide our comments on the Preliminary Consultation Document regarding the endorsement of IFRS 16 (PCD) in order to contribute to the finalization of the EFRAG Draft Endorsement Advice on IFRS 16 Leases.

We appreciate the EFRAG's efforts to seek additional input from additional work during the PCD consultation period to proceed to the endorsement of IFRS 16.

We have performed questionnaires and internal meetings to collect opinions, views and evidence regarding the specific matters highlighted in the PCD.

Our responses to questions included in the PCD are detailed in the Appendix to this letter.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò

(Chairman)

Question 1:

Do you have any information or evidence on the extent to which leases (that you are party to or otherwise aware of) will be eligible for each of the short-term and low value assets exceptions identified in paragraph 24? If so, please provide details. If you are a preparer, do you expect to use the exceptions? If so, please:

(a) quantify the number and annual lease payments for each category;

(b) indicate the proportion of your leases (by volume and/or value) you estimate to be covered by each of the exceptions.

In general constituents indicate that leases of office furniture (e.g. PC, tablets, printers, mobiles ect.) will be eligible for low value assets exception and 12-month leases will be eligible for short-term exceptions.

Preparers in general will use the exceptions. Some preparers have not yet estimated the impacts of exceptions application. One of the preparers quantifies annual lease payments for laptops and mobiles in a few million euros; another preparer indicates that the proportion by volume of leases eligible for the exceptions is insignificant and another one indicates as preliminary provision that short-term contracts will represent 13% of total contracts.

Question 2:

If you are a preparer, which approach to transition do you expect to take? Please explain your reasons for this decision.

Some preparers have made the tentative decision to take the approach described in paragraph 34b Appendix 1. The tentative decision is justified as less expensive in terms of application costs.

Other preparers have made the tentative decision to take the full retrospective approach. This tentative decision is justified as an increase in terms of comparability.

Whereas other preparers have not made any tentative decision as they are currently examining the best approach to take.

Question 3:

Are you aware of:

(a) any contracts that you consider to be leases that would not be classified as leases under IFRS 16; or

(b) any contracts that you consider to be service contracts (or other non-lease contracts) that would be classified as leases under IFRS 16?

If so, please provide details of these contracts and why you consider that the classification would not be appropriate.

Constituents in general do not provide significant evidence of contracts considered to be leases that would not be classified as leases under IFRS 16 or contracts considered to be service contracts (or other non-lease contracts) that would be classified as leases under IFRS 16.

Question 4:

EFRAG is interested in understanding whether leases of intangible assets (other than rights held by a lessee under licensing agreements within the scope of IAS 38) are common. Do you have any information or evidence as to how frequently such leases of intangible assets arise in practice? If so, please provide information about the types of intangible assets that are subject to leases and the significance in operating and monetary terms.

Constituents in general do not have information or evidence as to how frequently leases of intangible assets (other than rights held by a lessee under licensing agreements within the scope of IAS 38) arise in practice.

Question 5:

Do you have any comments on the comparison of IFRS 16 with IAS 17?

Constituents in general do not have particular comments on the comparison of IFRS 16 with IAS 17. One constituent considers that the negative impact of the financial position that could arise from the new accounting treatment could be in contradiction with a possible increase of client portfolio. Another constituent indicates a possible asymmetric accounting treatment between lessors and lessees.

Question 6:

Do you have any views or information on how IFRS 16 can be expected to affect the behaviour of investors and/or lenders? If so, do you have any views or information on whether and how IFRS 16 could, for European companies that apply IFRS, positively or negatively affect:

- (a) the overall cost of capital;**
 - (b) access to finance and cost of credit?**
- Please provide any available evidence.**

Constituents expect effects on financial covenants particularly when contracts do not include frozen-gaap clause. In particular one constituent expects that the impact on financial debts and consequently on well-known ratios (es. Debt/Ebitda) will be different for each company.

Question 7:

Do you have views or information on how IFRS 16 might affect entities' use of leasing? For example, do you expect lessees to:

- (a) reduce their use of leases with a corresponding increase in purchases of assets;**
- (b) reduce their use of leases without a corresponding increase in purchases of assets;**
- (c) seek to change the terms of new or existing leases?**

Please provide any available evidence.

Constituents have different views on how IFRS 16 might affect entities' use of leasing. Some constituents expect no impacts and other constituents expect that lessees seek to change the terms of new or existing leases or reduce of use of lease with a corresponding increase in purchase of assets.

Question 8:

Do you have any additional information or views on how the endorsement of IFRS 16 can be expected to affect the leasing industry in Europe? EFRAG is particularly looking for views from the leasing industry.

Please provide any available evidence.

Constituents do not provide additional information or views on how the endorsement of IFRS 16 can be expected to affect the leasing industry in Europe.

Question 9:

Do you have any information or views on how the endorsement of IFRS 16 can be expected to affect SMEs in Europe?

Please provide any available evidence.

Constituents do not have information or views on how the endorsement of IFRS 16 can be expected to affect SMEs in Europe.

Question 10:

Do you have any information or views on whether IFRS 16 is likely to endanger financial stability in Europe?

Please provide any available evidence.

The majority of constituents have no information or views on whether IFRS 16 is to endanger financial stability in Europe in addition to how indicated at the answer to question 6.

Question 11:

What is your view on the relative costs of applying IFRS 16 and US GAAP? Do you have any other views as to the advantages or disadvantages of IFRS 16 compared to US GAAP?

Please provide any available evidence.

In general constituents do not have other views as to the advantages or disadvantages of IFRS 16 compared to US GAAP. However one constituent emphasizes that there will be different impacts on net financial position arising from the application of IFRS and USGAAP.

Question 12:

What is your view on the one-off and ongoing costs for preparers? (Please indicate whether you are (a) a lessee; (b) a lessor; (c) both a lessee and a lessor or (d) neither a lessee nor a lessor).

Will preparers that already report finance leases have lower costs than preparers without finance leases?

Please provide any evidence you have on the expected magnitude of the costs.

Some preparers consider in the presence of a large number of finance lease contracts and in the presence of a dedicated software, the application of the new standard for finance lease reduces the implementation costs that in general include: software update, consulting costs relating to analyze contracts, software development for data collecting and accounting management and costs relating to the large number and widespread presence of operating lease contracts.

Question 13:

If you are a user, are you aware of any costs in addition to those identified by EFRAG in paragraphs 116 to 118 of Appendix 3? Please quantify if possible and provide any available evidence.

We received no answers from users.

Question 14:

If a lessee has to develop new systems to support the accounting for leases, to what extent do you, as a lessee, expect internal benefits from the information provided by the new information? Please quantify to the extent possible.

Do you agree with the benefits for users and preparers identified above? Are there any additional benefits for users and preparers?

Please provide any available evidence.

For various reasons in general constituents (including preparers) do not expect particular benefits from the development of new systems to support the accounting for leases.

Preparers in general are not in agreement with benefits identified in the Appendix 3. In particular, they do not expect significant benefits compared to the costs included in Appendix 3 and they do not expect significant benefits for users in terms of comparability.

Question 15:

Are there any issues that have not been raised in this Preliminary Consultation Document that should be considered by EFRAG?

Please explain your view.

One constituent indicates that the impact of the new accounting treatment on financial debts and consequently on well-known ratios (es. Debt/Ebitda) will be different for each company.