



Grant Thornton

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European Financial Reporting Advisory Group (EFRAG)
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Submitted electronically through the EFRAG website (www.efrag.org)

**CONSULTATION ON DRAFT ENDORSEMENT ADVICE ON THE
INTEREST RATE BENCHMARK REFORM (AMENDMENTS TO IFRS 9,
IAS 39 AND IFRS 7)**

Grant Thornton International Ltd is pleased to comment on the draft endorsement advice on the IASB's publication of Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

We support the proposed amendments and agree with EFRAG's endorsement advice that endorsement should be progressed as quickly as possible as the ability to apply the amendments to years ending 31 December 2019 is important for preparers.

Our responses to the EFRAG's Invitation to Comment are set out in the Appendix.

If you have any questions on our response, or wish us to amplify our comments, please contact me by email (sue.almond@gti.gt.com).

Yours sincerely,

Sue Almond
Global Head of Assurance
Grant Thornton International Ltd

Responses to Invitation to Comment questions

Question 1

Please provide the following details:

- (a) **Your name or, if you are responding on behalf of an organisation or company, its name:**
Grant Thornton International Ltd
- (b) **Are you a: Preparer User Other (please specify)?**
Other - Auditor
- (c) **Please provide a short description of your activity:**
Assurance and advisory practice
- (d) **Country where you are located**
International
- (e) **Contact details, including e-mail address:**
Sue Almond (sue.almond@gti.gt.com)

Question 2

EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, the Amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting. EFRAG's reasoning is set out in Appendix 2 of the accompanying Draft Letter to the European Commission regarding endorsement of the Amendments.

- (a) **Do you agree with this assessment?**

Yes we agree with this assessment.

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

- (b) **Are there any issues that are not mentioned in Appendix 2 of the accompanying Draft Letter to the European Commission regarding endorsement of the Amendments that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?**

We agree with the analysis in Appendix 2. As noted, in Appendix 1, the amendments deal with pre-replacement issues. The amendments do not therefore deal with all issues which may arise during the replacement phase. In relation to the reclassification period for discontinued hedges, we have some concerns that the date specified in IFRS 9.6.8.10 and IAS 39.102K could give rise to outcomes which would not be useful to a user of the financial statements. In particular, due to the end date for the relief, immediate reclassification of amounts in a cash flow hedged reserve could be implied for discontinued hedges where the previously hedged loan is amended from IBOR to a risk free rate. We anticipate that such issues would be dealt with during the replacement phase. This highlights the importance of the IASB also considering such replacement issues on a time critical basis.

Questions 3 and 4

In its assessment of the impact of the Amendments on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying Draft Letter to the European Commission regarding endorsement of the Amendments.

EFRAG has identified that in assessing whether the endorsement of the Amendment is conducive to the European public good it should consider whether the Amendments are an improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 5 of Appendix 3 of the accompanying Draft Letter to the European Commission). To summarise, EFRAG's initial assessment is that the Amendments are likely to improve the quality of financial reporting.

Do you agree with the assessment?

Yes we agree with this assessment.

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

N/A

Question 5

EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 6 to 13 of Appendix 3 of the accompanying Draft Letter to the European Commission regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that the Amendments will not result in significant undue costs for preparers and for users they will likely be cost neutral.

Do you agree with this assessment?

Yes we agree with this assessment.

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

N/A

Question 6

In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraph 14 to 17 of Appendix 3 of the accompanying Draft Letter to the European Commission regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that the benefits resulting from the Amendments are likely to outweigh costs associated with their implementation.

Do you agree with this assessment?

Yes we agree with this assessment.

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

N/A

Question 7

EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved, as described in paragraph 5 above.

Do you agree with this assessment?

Yes we agree with this assessment.

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

N/A

Question 8

EFRAG has identified a number of other factors that could be considered in assessing whether the endorsement of the Amendments are conducive to the European public good (see Appendix 3, paragraphs 18 to 20).

Do you agree with the assessment of these factors?

Yes we agree with this assessment.

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

N/A

Do you agree that there are no other factors to consider in assessing whether the endorsement of the Amendments is conducive to the European public good?

Yes we agree there are no other factors.

If you do not agree, please identify the factors, provide your views on these factors and indicate how this could affect EFRAG's endorsement advice.

N/A

Question 9

EFRAG has initially concluded that endorsement of the Amendments would be conducive to the European public good (see paragraphs 21 to 24 of Appendix 3 of the accompanying Draft Letter to the European Commission).

Do you agree with this conclusion?

Yes we agree with this conclusion.

If you do not agree, please explain your reasons.

N/A