

WHAT YOU NEED TO KNOW ABOUT IFRS 17

JOINT INVESTOR OUTREACH EVENT IN MILAN

18 September 2017



European Financial Reporting Advisory Group



THE ENDORSEMENT PROCESS

EFRAG'S MISSION STATEMENT

Develop and promote European views in a **thought leadership role** and to ensure that they are properly taken into account in the IASB standard setting process

Advise the European Commission as to whether IFRS Standards meet the IAS Regulation endorsement criteria for use in the preparation of financial statements in the EU (including whether the IFRS would be conducive to the **European public good)**

EFRAG's mission is carried out with the sole objective of **servicing European public interest**.

EFRAG'S MAIN OBJECTIVES

Ensuring full participation of European stakeholders in the debate supporting the development of IFRS and **expressing the technical European views** throughout the IASB standard-setting process

Engaging European stakeholders in the analysis of and debate on emerging financial reporting issues by stimulating, coordinating and carrying out **proactive accounting activities**

Advising the EC on the endorsement of IFRS for use in Europe

IAS REGULATION (2002)

Regulation 1606/2002 of 19 July 2002 on the application of international accounting standards

Scope: consolidated accounts of publicly traded companies

Member State options to use IFRS:

Annual accounts of publicly traded companies

Consolidated and/or annual accounts of other companies

Italy:

Consolidated and annual accounts of publicly traded companies but listed insurance companies use Italian GAAP in annual accounts

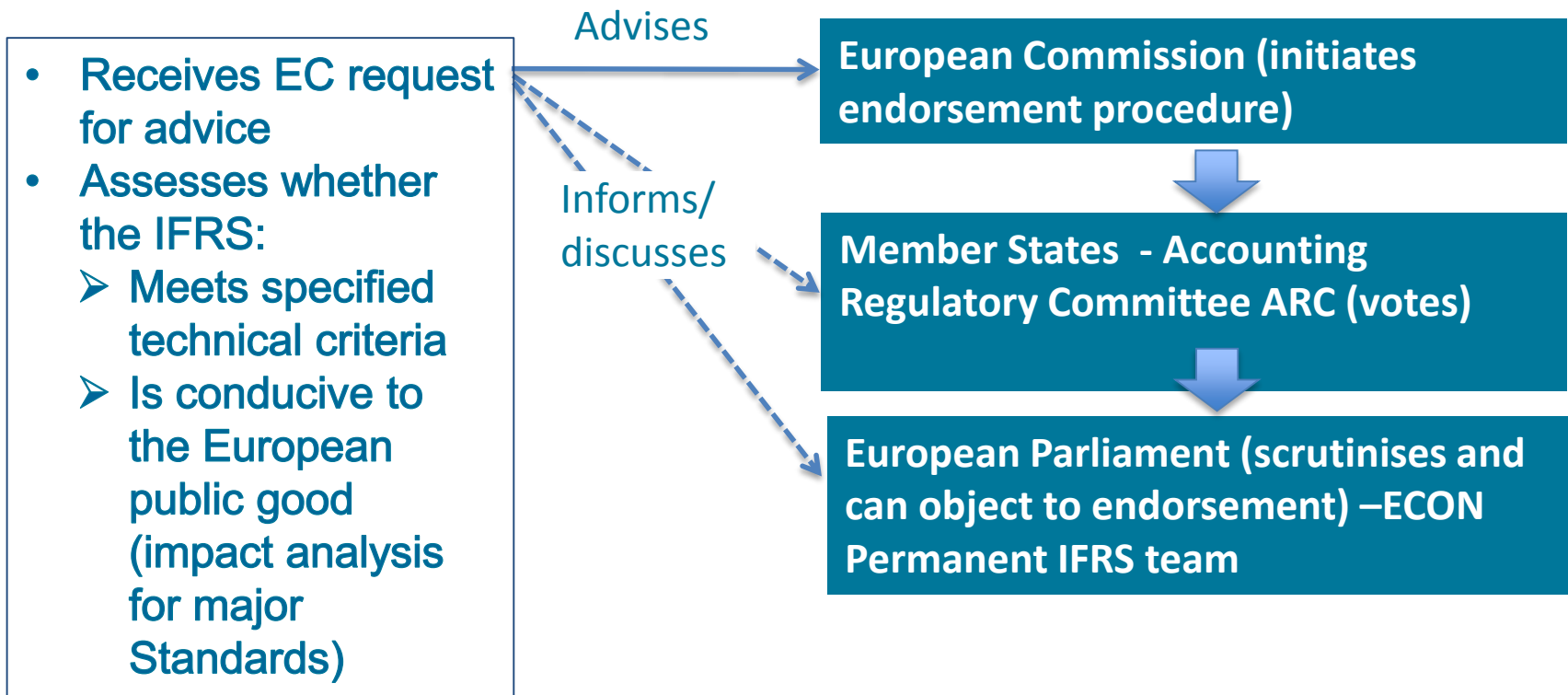
All other entities are allowed to apply IFRS

IAS REGULATION (2002)

To adopt an international accounting standard for application in the Community, it is necessary that:

- its application results in a true and fair view of the financial position and performance of an enterprise
- it is conducive to the European public good
- it meets basic criteria as to the quality of information required for financial statements to be useful to users:
 - Understandability
 - Relevance
 - Reliability
 - Comparability

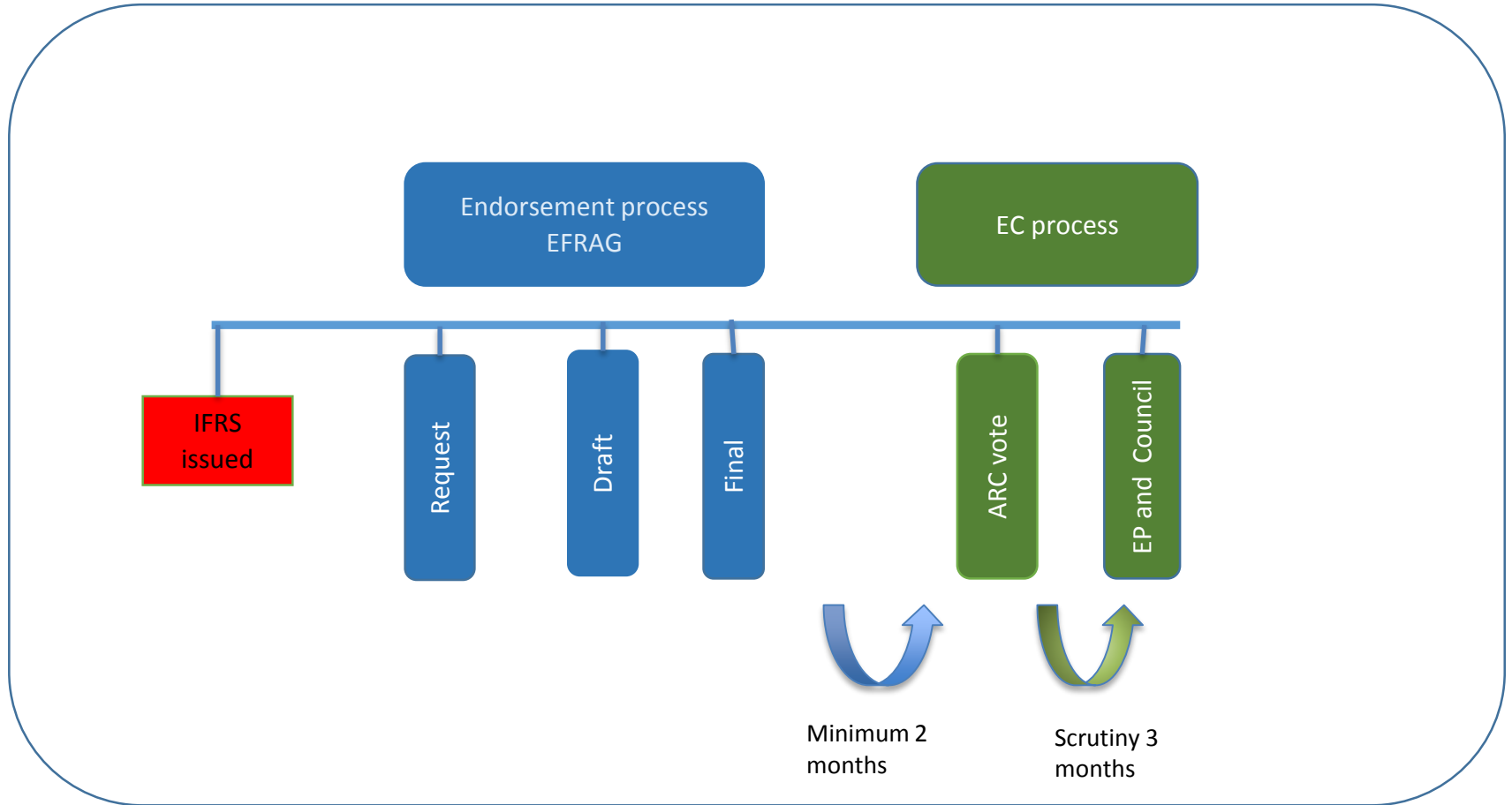
EFRAG'S ROLE IN ENDORSEMENT



IN THE ENDORSEMENT PROCESS

- EFRAG assesses a Standard against the criteria in the IAS Regulation
 - Meets the true and fair view principle
 - Is conducive to the European public good
 - Meets the criteria of understandability, relevance, reliability and comparability
- EFRAG will be delivering enhanced impact assessments (IFRS 16 pilot) as part of the European public good assessment

ENDORSEMENT TIMELINE



THE ENDORSEMENT PROCESS

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THE ENDORSEMENT PROCESS

In developing its advice to the European Commission, EFRAG prepares a draft for public consultation. This draft:

- Is discussed with relevant EFRAG Working Groups (User Panel, Academic Panel, FIWG, IAWG ...)
- Is developed in public meetings by EFRAG TEG and EFRAG Board
- May be issued in two parts – preliminary views and tentative final views
- Will often be accompanied by outreaches, case studies, field tests

IFRS 17 ENDORSEMENT PROCESS

THE ENDORSEMENT ADVICE

- **Appendix 1**
 - Summary of the Standard
- **Appendix II**
 - Assessment against endorsement criteria: relevance, reliability, comparability, understandability, prudence
 - **Concluding on “true and fair view”**
- **Appendix III**
 - Improvement in financial reporting?
 - Costs and benefits?
 - Other issues – depending on European Commission request for advice
 - Impact analysis
 - **Concluding on European public good**



ENDORISING IFRS 17

IFRS 17 ENDORSEMENT PROCESS

WHERE WE ARE TODAY

While waiting for the request from the European Commission, we are

- Collecting information on existing accounting practices of insurers
- Collecting preliminary views, especially from our User Panel and IAWG
- The EFRAG Board is meeting with CFOs, users and auditors to understand strategic issues
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IFRS 17 ENDORSEMENT PROCESS

CONSIDERATIONS

- Comparison with IFRS 4
 - Comparability between insurers can only be achieved by removing/reducing flexibility permitted by IFRS 4
- Potential assessment methodologies
 - Case studies (driven by differences in existing accounting practices)
 - Field test
 - Stress tests

IFRS 17 ENDORSEMENT PROCESS

POTENTIAL TOPICS

- Long-term liability-driven business model
- Impact on the insurance market
- Level of aggregation
- Economic mismatches, if any
- Accounting mismatches, if any
- Scope of Variable Fee Approach
- Transition

IFRS 17 ENDORSEMENT PROCESS

USERS VIEWS

- What information are users looking for?
- How are users informed today?
- How will IFRS 17 change their practices?
- What are the benefits and costs for them?



IFRS 17 ENDORSEMENT PROCESS

EXPECTED TIMELINE

- May 2017 – IFRS 17 issued
- Q4 2017 – endorsement request from the EC
- Depending on the request:
 - Draft endorsement advice issued for comment
 - Final endorsement advice



The EU Endorsement Status Report - Position as at 13 July 2017

IASB/IFRIC documents not yet endorsed

[Revisions to this schedule are marked in bold]

	EFRAG draft endorsement advice	EFRAG endorsement advice	ARC Vote	When might endorsement be expected	IASB Effective date	Expected to be endorsed before the effective date
STANDARDS						
IFRS 14 <i>Regulatory Deferral Accounts</i> (issued on 30 January 2014)	The EC has decided not to launch the endorsement process of this interim standard and to wait for the final standard.				01/01/2016	
IFRS 16 <i>Leases</i> (issued on 13 January 2016)	✓ 14/02/2017	✓ 27/03/2017	✓ 29/06/2017	* Q4 2017	01/01/2019	▲
IFRS 17 <i>Insurance Contracts</i> (issued on 18 May 2017)	* Q1 2018	* Q3 2018			01/01/2021	
AMENDMENTS						
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (issued on 11 September 2014)	Postponed ¹				Deferred indefinitely	
Amendments to IAS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (issued on 19 January 2016)	✓ 11/04/2016	✓ 08/06/2016	✓ 03/07/2017	* Q4 2017	01/01/2017	▼
Amendments to IAS 7: <i>Disclosure Initiative</i> (issued on 29 January 2016)	✓ 11/04/2016	✓ 06/06/2016	✓ 05/06/2017	* Q4 2017	01/01/2017	▼
<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i> (issued on 12 April 2016)	✓ 17/05/2016	✓ 06/07/2016	✓ 03/07/2017	* Q4 2017	01/01/2018	▲
Amendments to IFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i> (issued on 20 June 2016)	✓ 07/10/2016	✓ 14/12/2016	* Q3 2017	* Q4 2017	01/01/2018	▲
Amendments to IFRS 4: Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> (issued on 12 September 2016)	✓ 15/11/2016	✓ 13/01/2017	✓ 29/06/2017 ²	* Q4 2017	01/01/2018	▲
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	✓ 06/02/2017	✓ 06/04/2017	* Q3 2017	* Q4 2017	01/01/2018 / 01/01/2017	▲ / ▼
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> (issued on 8 December 2016)	✓ 17/02/2017	✓ 06/04/2017	* Q3 2017	* Q4 2017	01/01/2018	▲
Amendments to IAS 40: <i>Transfers of Investment Property</i> (issued on 8 December 2016)	✓ 21/02/2017	✓ 06/04/2017	* Q3 2017	* Q4 2017	01/01/2018	▲
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> (issued on 7 June 2017)	* Q3 2017	* Q4 2017	* 2018	* 2018	01/01/2019	▲

The information shown is our current best estimate of the latest date for publication or endorsement, assuming endorsement is to occur. This information is provided to be helpful, but it is only an estimate.

¹ For more details, you can visit EFRAG's project page [here](#).

² Please see the text sent to the European Parliament and the Council of the European Union [here](#).



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THANK YOU



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