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Post-Implementation Review of IFRS 9 *Classification and Measurement*

Cover Note

Objective

- 1 The objective of this session is for the EFRAG TEG to approve and recommend to EFRAG Board the EFRAG's draft comment letter (DCL) as response to the Request for Information (RFI) on IFRS 9 *Classification and Measurement*.

Background

EFRAG Due Process

- 2 The effective date of IFRS 9 was set as annual reporting periods beginning on or after 1 January 2018. Insurers and EU financial conglomerates have the possibility to defer the application date of IFRS 9 till 1 January 2023 (subject to fulfilling particular conditions).
- 3 In October 2020, the IASB decided to begin the PIR of the IFRS 9 classification and measurement requirements, but not to begin the PIR of the Standard's impairment and hedge accounting requirements.
- 4 During [January – March](#) 2021, the EFRAG Secretariat consulted EFRAG TEG and EFRAG working groups (Academic Panel, FIWG, IAWG, User Panel, CFSS) and had an exchange with the IFRS 9 Task Force of Accountancy Europe. This consultation has allowed to prepare a first comprehensive list of issues that have been reported to the IASB Staff, including at the ASAF meeting in [March](#) 2021.
- 5 On 9 [June](#) 2021, the EFRAG Board decided that the future EFRAG response to the RFI on IFRS 9 *Financial Instruments* should include views about the technical merits of some of the key issues reported. The remaining issues are to be reported to the IASB without an accompanying assessment.
- 6 The EFRAG Board further decided that the technical assessment should be focused on providing indications as to whether standard setting is considered necessary to solve the issue, without providing indications of the possible standard setting solution itself.
- 7 When assessing the technical merits, to the extent possible, the EFRAG response to the RFI should also provide indications of the type of standard setting activity needed (e.g., amendments to the standard, educational material).
- 8 It was noted that for some issues EFRAG has already developed views and it would be sufficient to repeat the existing positions. This relates to:
 - (a) Recycling the changes in FV accumulated in OCI for equity instruments; and

- (b) FVTPL treatment for equity-type instruments (e.g., units of funds).
- 9 The list of issues has been assessed by EFRAG TEG in [June](#), [July](#) and [September 2021](#), with inputs from EFRAG FIWG and EFRAG IAWG.
- 10 The final list of issues was agreed by the EFRAG Board on 6 [October 2021](#).
- 11 The [Request for Information on IFRS 9](#) was published on 30 of September 2021 with comments to be delivered by **28 January 2022**.
- 12 The topics raised in the RFI on IFRS 9 which concurred with the ones selected by the EFRAG Board are:
- (a) Sustainable finance – SPPI test;
 - (b) Recycling changes in FV accumulated in OCI for equity instruments;
 - (c) Investments in equity-like instruments;
 - (d) Contractually linked instruments – non-recourse; and
 - (e) Modifications to contractual cash flows.
- 13 The following topics were not selected by the IASB as part of the RFI on IFRS 9. However, they are to be reported, as part of the topics selected by the EFRAG Board:
- (a) Supply-chain financing – reverse factoring;
 - (b) Financial guarantees; and
 - (c) Factoring of trade receivables.
- 14 The remaining topics not selected by the EFRAG Board and included in the RFI in IFRS 9 are:
- (a) Business model for managing financial assets;
 - (b) Financial liabilities and own credit;
 - (c) Amortised cost and the effective interest method (accounting for TLTRO III); and
 - (d) Transition.

Next steps

- 15 The EFRAG Secretariat proposes the following timeline to organise the consultation:

Timing	Consultation
2 November 2021	EFRAG Board to approve DCL – issuance of DCL first week of November
24 November 2021	Consultation of CFSS members
7 December 2021	User Panel meeting
14 January 2022	End of EFRAG consultation
4 February 2022	Joint EFRAG FIWG-IAWG meeting on results of the consultation
8-9 February 2022	Joint EFRAG Board- TEG to consider and approve final comment letter

- 16 A more detailed proposal to the outreach activities will be proposed in the EFRAG Board meeting of 2 November 2021.

Questions for EFRAG TEG

- 17 Does EFRAG TEG have comments on the draft comment letter included in paper 05-02?

Agenda Papers

- 18 In addition to this cover note, agenda paper 05-02 – *PIR IFRS 9 – EFRAG draft comment letter* – has been provided for the session.