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PIR IFRS 9 Impairment – Cover Note

Objective

- 1 The objective of the session is to provide EFRAG FR TEG with a summary of a feedback received by the IASB on its Request for Information ('RFI') on PIR of IFRS 9 - *Impairment* and the IASB's plan for the next phase of the project.

Background

RFI

- 2 The IASB published the [RFI on PIR of IFRS 9 - Impairment](#) on 30 May 2023.
- 3 The RFI set out questions in ten sections:
 - (a) Section one sought general information on the effect the application of the impairment requirements in IFRS 9 has had on preparers of financial statements, users of financial statements, auditors, and regulators;
 - (b) Sections two to eight sought information on specific areas of the impairment requirements in IFRS 9, including information on the application of these requirements alongside other requirements in IFRS 9 or in other IFRS Accounting Standards;
 - (c) Section nine sought information on application of the disclosure requirements in IFRS 7 for credit risk; and
 - (d) Section ten sought other information relevant to the post-implementation review of the impairment requirements.

EFRAG comment letter

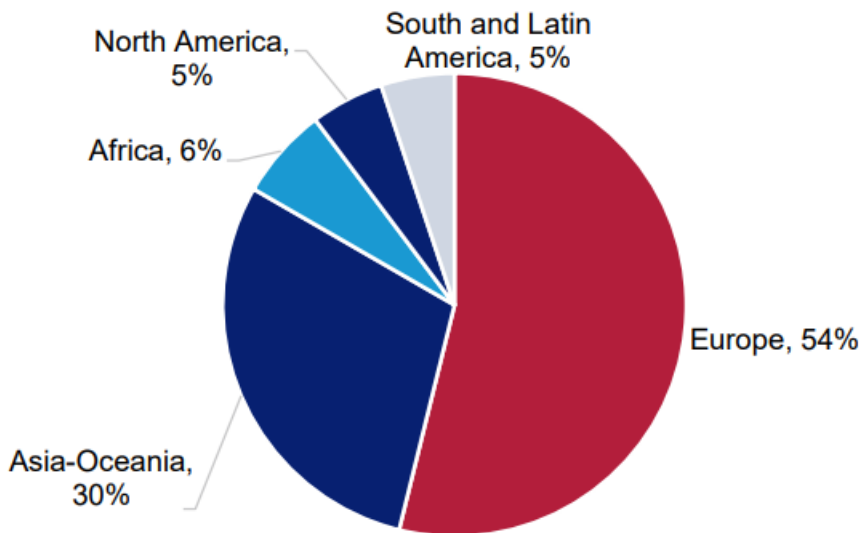
- 4 After extensive consultation with constituents, EFRAG published its [final comment letter](#) on 27 September 2023.
- 5 In its comment letter EFRAG considered that the impairment requirements in IFRS 9 generally work as intended and that the use of a forward-looking expected credit loss model results in more timely recognition of credit losses than applying IAS 39 *Financial Instruments: Recognition and Measurement*.
- 6 Nevertheless, EFRAG highlighted some issues of application or diversity in practice with different levels of priority that should be further considered by the IASB in the context of this PIR :
 - (a) Cash shortfalls used to measure expected credit losses - whether the expression "all cash shortfalls" used in Appendix A of IFRS 9 to define credit loss should be interpreted within the scope of concessions from the lender due to financial difficulties of the borrower.

- (b) Interaction between modification, impairment, and derecognition requirements in IFRS 9.
 - (c) More guidance in the form of illustrative examples and/or educational material would enhance the quality and comparability of credit risk disclosures.
- 7 In addition, EFRAG recommended the IASB to consider other issues with medium priority, such as intra-group loans and guarantees, collective assessment of significant increases in credit risk, loan commitments, financial guarantees and other credit enhancements and purchased or originated credit impaired assets requirements.

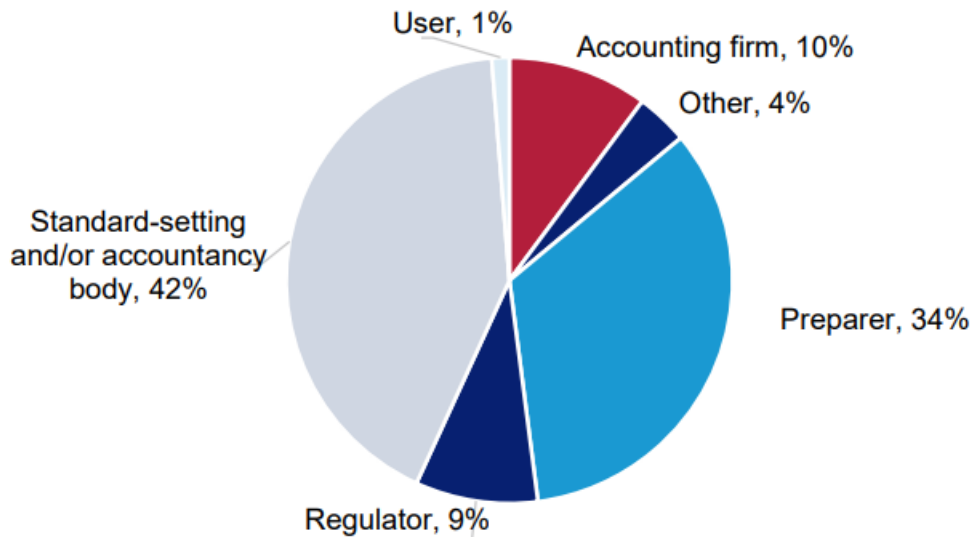
Feedback received by the IASB

- 8 The IASB received 78 responses on its RFI, including a comment letter from investors.
- 9 The diagrams below provide breakdown of responses by region and by type of respondents.

Respondent by geographical location



Respondent by type



Agenda Papers

- 10 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 06-02 – *IFRS 9 PIR Impairment – Summary of feedback received*; and
 - (b) Agenda paper 06-03 – *PIR Phase 2 project plan*.