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PIR IFRS 9 Impairment

Cover Note

Objective

- 1 The objective of this session is to provide EFRAG FR TEG with an overview of the IASB staff feedback analysis and the IASB tentative decisions on the credit risk disclosures and other matters.

Background and status of the IASB project

- 2 The IASB published the [RFI on PIR of IFRS 9 Financial Instruments - Impairment](#) on 30 May 2023.
- 3 EFRAG published its [final comment letter](#) on 27 September 2023.
- 4 In November 2023, the IASB started the second phase of the PIR when it received a summary of feedback on the RFI. From February 2024, the IASB began its deliberations by considering responses to the RFI, along with information gathered through other consultative and research activities, to determine whether further action is needed on any of the matters identified.
- 5 In May 2024 the IASB completed its redeliberations on the project. The IASB members agreed that sufficient work has been completed to conclude the PIR and for the IASB staff to prepare the Project Report and Feedback Statement.

Questions in the RFI that required decisions by the IASB

- 6 The table below represents the overview of the topics discussed and the IASB tentative decisions taken.

Topics for discussion in PIR	Timing	IASB tentative decision
Phase 2		
General approach to recognition of ECL	February 2024	No standard-setting action
Significant increases in credit risk	February 2024	No standard-setting action
ECL measurement:		

(a) general	March 2024	No standard-setting action
(b) Loan commitments and financial guarantees	April 2024	No standard-setting action on loan commitments; low priority on financial guarantees
Purchased or originated credit-impaired assets	April 2024	No standard-setting action
Interaction between impairment requirements in IFRS 9 and other requirements	April 2024	To consider these matters in <i>Amortised Cost Measurement</i> project
Credit risk disclosures	May 2024	To classify as medium priority to make targeted improvements to the disclosure requirements in IFRS 7 about credit risk and add to a project to its research pipeline
Other matters	May 2024	No standard-setting action

Questions in the RFI that did not require decisions by the IASB

Question 1 - Impairment

- 7 This question aimed to help the IASB understand respondents' overall views about, and experiences with, applying the IFRS 9 impairment requirements.
- 8 Overall feedback was very positive, almost all respondents said that the requirements work as intended with no fundamental questions ('fatal flaws') and result in more timely recognition of credit losses compared to IAS 39 *Financial Instruments: Recognition and Measurement*.
- 9 Feedback on specific areas of the impairment requirements was considered in the responses to Questions 2 to 10 of the RFI.
- 10 There were no application questions that required decisions by the IASB in relation to this question of the RFI.

Question 8 – Transition

- 11 Respondents did not provide a significant amount of feedback on this topic.
- 12 The IASB was not asked to make any decisions in relation to this topic since almost all respondents acknowledged that the requirements and reliefs provided on transition to IFRS 9 achieved a good balance between costs for preparers and benefits for users.

Question 10 - Other matters

- 13 The IASB was not asked to make any further decisions in relation to this question because the matter relating issued financial guarantee contracts raised by some stakeholders in response to this question was covered when discussing ECL measurement – loan commitments and financial guarantees topic in April.

Supporting material

- 14 Throughout discussions with stakeholders about the deliberations of the feedback raised in this PIR, some internal and external stakeholders noted that they found explanations and analysis in the IASB staff papers particularly useful.
- 15 These stakeholders acknowledged that details of such analysis do not necessarily fit well within the feedback statement that would be published by the IASB on conclusion of this PIR. Therefore, they suggested that the IASB consider how it could communicate such explanatory material through other communication channels.
- 16 The IASB staff therefore suggested that the IASB could consider developing some supporting material for particular themes of commonly raised feedback in the PIR - for example, a series of short webcasts or other material for a selection of common feedback themes.
- 17 The IASB members provided mixed feedback on what type and what form of potential supporting material it could take. Some were of the view that written material for technical topics is better than a webcast, others preferred series of webcasts about what was learnt from PIR process and said that written material could be disruptive.
- 18 Members also noted that this question is a part of broader question of how technical analysis should be conveyed and made more accessible to stakeholders.

Next steps

- 19 The IASB staff prepared a Project Report and Feedback Statement (the Project Summary) on the PIR to be reviewed by the IASB. The Due Process Oversight Committee (DPOC) was also provided with a draft of the Project Summary at its meeting on 4 June 2024 and agreed that the IASB has completed the review satisfactorily.
- 20 The IASB plans to publish the Project Summary statement in July 2024.

Terminology

- 21 In the agenda papers for this session, the following terms were used to indicate the views:
 - (a) almost all - all except a very small minority;
 - (b) most - large majority, with more than a few exceptions;
 - (c) many - small majority or large minority;
 - (d) some - small minority, but more than a few; and
 - (e) a few - a very small minority.

Agenda Papers

- 22 In addition to this cover note the following agenda papers are provided for this session:
 - (a) 06-02 – PIR IFRS 9 Impairment – Credit Risk Disclosures; and
 - (b) 06-03 - PIR IFRS 9 Impairment – Other Matters.