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Finance for Europe

European Financial Reporting Advisory Group
35 Square de Meeûs
1000 Brussels
Belgium

Submitted electronically via efrag.org

25 May 2018

Dear Sirs,

EFRAG Discussion Paper (DP) ***Equity Instruments – Impairment and Recycling***

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the **EFRAG DP** ***Equity Instruments – Impairment and Recycling***. AFME represents a broad range of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks and other financial institutions. AFME advocates stable, competitive and sustainable European financial markets, which support economic growth and benefit society.

AFME advocates for the development of a single set of high-quality global accounting standards. Such standards are developed by the International Accounting Standards Board (IASB) on behalf of the International Financial Reporting Standards (IFRS) Foundation following due process requirements that are built on:

a) transparency;
b) full and fair consultation; and
c) accountability

AFME was active in providing comments to the IASB and EFRAG during the development of IFRS 9 and strongly supported the endorsement of IFRS 9 for use in the EU to allow European companies (including our members) to benefit from the resulting improvements brought to financial reporting by the Standard. Notwithstanding that some members felt there remained opportunity for further improvement.

In its comments on EFRAG's assessments on IFRS 9, AFME emphasised that the IASB's Post Implementation Review (PIR) should focus on the areas identified in Appendix 2 to EFRAG's endorsement advice that they suggested could limit the relevance, reliability and comparability of financial information. These areas included the absence of a mechanism to recycle gains and losses on investments in equity instruments measured through other comprehensive income (OCI) into the statement of profit or loss on disposal, and the absence of a model to recognise impairment losses associated with those assets in profit or loss.

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With firms having just completed their implementation of IFRS 9, the majority of members feel that it is currently too early to fully assess the impact of the Standard, supporting a "period of calm" to allow firms to bed in the recent changes, and that any further changes should follow the IFRS Foundation's due process.

Paragraph 6.52 of the IFRS Foundation's Due Process Handbook states that *"The IASB is required to conduct a PIR of each new Standard or major amendment. A PIR normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date*[1]*."*

The Due Process Handbook also states that the PIR is an opportunity to assess the effect of new requirements on investors, preparers and auditors, and must consider the issues that were important or contentious during the development of the publication as well as issues that have come to the attention of the IASB post publication. In order for the IASB to identify and fully evaluate these issues, evidence is required from a suitable period of real-life application experience.

Members noted that the EFRAG Discussion Paper identifies several important issues that would, amongst others, be appropriate for debate at the relevant time.

We would be pleased, of course, to discuss the content of this letter or to provide any further clarity with regards to the statements made.

Yours faithfully,

Richard Langton

Policy Division

[1] Note also that under Paragraph 6.53 of the Due Process Handbook the IASB "may decide to conduct a PIR in response to……concerns about the quality of an IFRS that have been expressed by the Advisory Council, the Interpretations Committee, standard-setters or interested parties."