Mr.
Jean-Paul Gauzès
President of the EFRAG Board
European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels
Belgien

Date
21.06.2019

EFRAG Request for Feedback "Equity Instruments – Research on Measurement" (May 2019)

Dear Mr Gauzès

On behalf of the German Insurance Association (GDV) we welcome the opportunity to provide our comments to EFRAG's Request for Feedback "Equity Instruments – Research on Measurement", issued for public consultation in May 2019.

We greatly appreciate and closely follow the efforts of EFRAG to adequately respond to the Commission's request for technical advice on possible alternative accounting treatments to fair value measurement for long-term investment portfolios of equity and equity type instruments of June 2018. We understand this EFRAG's consultation being an integral part of the Commission's Action Plan on Sustainable Finance which we support.

Indeed, we like to highlight our strong agreement with the view that the default requirement to measure all equity investments at fair value through profit or loss (FVPL) in IFRS 9 Financial Instruments is not appropriate to reflect the business model of long-term investors. In this regard we fully support the existence of the fair value through other comprehensive income (FVOCI) option for eligible equities. However, the existing requirements of IFRS 9 does not allow for an adequate depiction of the financial performance of long-term investors like insurers. The German insurance industry continues to have the firm view that the current **recycling ban** on equities accounted for at FVOCI **should be abolished**. This recycling ban creates a significant deficiency of IFRS 9. This deficiency causes an **accounting disadvantage** for all equity investments eligible for the FVOCI option. The removal of the recycling ban would restate symmetry with the accounting treatment of debt instruments when accounted for at FVOCI.

Gesamtverband der Deutschen Versicherungswirtschaft e. V.

German Insurance Association

Wilhelmstraße 43 / 43 G, D-10117 Berlin
Phone: +49 30 2020-5470
Fax: +49 30 2020-6470
E-Mail: g.treber@gdv.de

Phone: +49 30 2020-5430
Fax: +49 30 2020-6430
E-Mail: h.saeglitz@gdv.de

51, rue Montoyer
B - 1000 Brussels
Phone: +32 2 28247-30
Fax: +32 2 28247-39

ID-Number 6437280268-55

www.gdv.de

We therefore encourage EFRAG to advice the Commission to urge the **IASB to undertake a targeted narrow-scoped amendment to IFRS 9** on a timely basis in this regard. It would be most cost efficient for insurance undertakings if such a quick fix would be effective at latest at the 1 January 2022, i.e. aligned with the (proposed revised) effective date of IFRS 17 Insurance Contracts.

Overall, we are not seeking to fundamentally revise IFRS 9 and its core measurement principles. However, the specific concerns of the insurance industry regarding the **existing accounting disadvantage for FVOCI equity** instruments should be approached by the IASB properly and without any further undue delay. We note that EFRAG already identified in its Discussion Paper "Equity Instruments – Impairment and Recycling" (March 2018) workable impairment models which could accompany recycling for FVOCI equities. **In our view both models identified by EFRAG are superior to the status quo.** Hence, keeping the status quo is absolutely not an adequate approach to respond to the concerns identified already in EFRAG's final endorsement advice on IFRS 9 of 15 September 2015 and also expressed in the European Parliament's resolution of 6 October 2016 on IFRS 9.

Finally, we like to note that the Commission aims to improve the sustainability of the financing sources for the EU economy at large via enhancing the scale of long-term equity financing. We have the view that approaching the recycling issue for the FVOCI equities by the IASB would positively contribute to this important objective of the Action Plan on Sustainable Finance.

Our detailed comments to the specific questions in the EFRAG's Request for Feedback are provided in our response to the online Questionnaire.

If you would like to discuss our comments further, please do not hesitate to contacts us.

Yours sincerely,

Götz Treber
(Head of Financial Regulation)

Hans-Jürgen Säglitz
(Head of Accounting)