Response to EFRAG Request for Feedback Equity Instruments – Research on Measurement

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INTRODUCTION

The ICAS Corporate and Financial Reporting Panel welcomes the opportunity to comment on EFRAG's request for feedback: Equity Instruments – Research on Measurement.

Our CA qualification is internationally recognised and respected. We are a professional body for over 20,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practice, financial services, industry, the investment community and the public sector. Almost two thirds of our working membership work in business, many leading some of the UK's and the world's great companies.

Our Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Any enquiries should be addressed to Amy Hutchinson, Head of Corporate and Financial Reporting and Secretary to the Corporate and Financial Reporting Panel.

GENERAL COMMENTS

We are strongly opposed to the objective of this request for feedback, namely the consideration of potential alternative accounting treatments to fair value measurement for long-term equity investments, and therefore we have not provided responses to the questionnaire.

ICAS continues to support the consistent use of IFRS globally and consequently we do not agree with any initiative that could result in the EU amending aspects of IFRS, as is suggested by this exploration of alternative accounting treatments to those required under IFRS 9. The standard has only been in effect since January 2018 and it is important to allow for a period of stability for effective implementation.

The European Commission has not made a convincing case for the linkage between its sustainable finance initiative and the accounting treatment of equity investments, and there is little evidence to support the assertion that the implementation of IFRS 9 will impact investment strategies. The alternative measurement bases being proposed (historical cost and FVOCI with recycling) do not provide useful information to the users of financial statements because they can enable earnings management. As EFRAG notes in its background paper, it is not the aim of financial reporting standards to encourage or discourage any types of investment.

We fully support the aim of encouraging long-term, sustainable business models and investment approaches, and believe that as part of this, investors and other stakeholders require relevant and reliable financial information. The global use of IFRS as issued by the IASB remains the most effective way of providing this information. We believe the issues investigated in this request for feedback would be best considered through the post-implementation review of IFRS 9 once there is sufficient evidence to assess them, following several years of application of the standard.