

Mr. Jean-Paul Gauzès  
President of the EFRAG Board  
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Submitted via email

Brussels, 18 July 2019

**Subject: EFRAG Questionnaire on Equity instruments – Research on measurement**

Dear Mr. Gauzès,

We are pleased to respond to the EFRAG's Research questionnaire concerning alternative measurements for equity and equity-type instruments.

Accountancy Europe appreciates the efforts made by EFRAG to identify some alternative measurements to fair value for those instruments in the context of the European Commission request on long-term investment as part of a sustainable finance strategy. Identified alternative measurements are considered by the EFRAG background paper either in a single (same measurement for statement of financial position and profit or loss) or a dual measurement approach (retaining fair value measurement for the statement of financial position and an alternative measurement method for profit or loss). Any alternative measurement method would only be considered in the context of a dual measurement method. We believe that fair value remains the most relevant measurement approach to depict the performance and risks associated with those instruments. We would therefore not support for the balance sheet any other alternative measurement approaches.

We also would like to reiterate some of the comments made in our letter dated 24 May 2018 in response to EFRAG Discussion Paper on *Equity Instruments – Impairment and recycling*<sup>1</sup>:

- EFRAG's findings from its assessment phase show that the majority of the respondents do not expect to modify their holding period for equities following the introduction of IFRS 9. In addition, less than half of the respondents expect to modify asset allocation decisions without giving an indication of direction or magnitude. The majority of those entities are insurance companies. Most insurance companies will defer the application of IFRS 9 until 2022 (based on the IASB's proposed amendments to IFRS 17) to align the effective date with that of IFRS 17 and are still assessing the interaction between those two standards, including any potential mitigating effects. As such, we think it is too early to conclude whether IFRS 9 (potentially in conjunction with the accounting model in IFRS 17) affects any asset allocation decisions to the disadvantage of long-term equity investments. We would also not expect that an investment decision in sustainable activities is mainly driven by the accounting treatment. Our

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<sup>1</sup> [https://www.accountancyeurope.eu/wp-content/uploads/180524-Accountancy-Europe-Response-on-EFRAG-DP-Equity-instruments\\_Final.pdf](https://www.accountancyeurope.eu/wp-content/uploads/180524-Accountancy-Europe-Response-on-EFRAG-DP-Equity-instruments_Final.pdf)

recommendation would be to observe how practice evolves and to reconsider the potential issues as part of the IFRS 9 Post-Implementation Review (PIR).

- If a PIR were to confirm that IFRS 9 guidance can affect unfavourably long term investment, Accountancy Europe believes that the matter should be addressed by a Standard Setting project at the IASB's level. We reiterate our position that a 'carve-in' or 'carve-out' approach at EU level would not be the appropriate mean to address this matter.
- Accountancy Europe has considered whether the FVOCI model with no recycling of OCI could be an obstacle to long-term investment. For the reasons mentioned above, Accountancy Europe believes that it is too early to assess the impact of no recycling of OCI. However, its members continue to express mixed views on whether OCI should be recycled upon disposal for the reasons outlined in our letter dated 24 May 2018.

Please do not hesitate to contact Ben Renier (Ben@accountancyeurope.eu), should you wish to discuss further our thoughts on some of the questions raised in the questionnaire.

Sincerely,



Florin Toma  
President



Olivier Boutellis-Taft  
Chief Executive

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