13th December 2016

Mr Jean-Paul GAUZES

European Financial Reporting Advisory Group
35 Spare de Meeûs
B1-000 Brussels
Belgium

Re: EFRAG's Draft Endorsement Advice of the IASB's Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

Dear Mr Gauzès,

Societe Generale is one of the leading financial services groups in Europe, involved in both banking and insurance activities.

We are pleased to provide EFRAG with our comments on its Draft Endorsement Advice of the Amendments to IFRS 4.

We welcome the efforts made by the IASB to address the concerns arising from implementing IFRS 9 Financial Instruments before implementing the forthcoming standard that will replace IFRS 4 Insurance Contracts. This issue has been raised by EFRAG in its Endorsement Advice of IFRS 9 and by the European insurance industry as well.

In its amendments to IFRS 4, the IASB has adopted two options: the temporary exemption from applying IFRS 9 and the overlay approach.

We fully support the temporary exemption as a suitable solution to the concerns arising from the misalignment of the effective dates, but we are far from being convinced by the overlay approach.

By shifting the volatility resulting from IFRS 9 from the income statement into the OCI, the overlay approach would not avoid this volatility to appear into equity. Moreover, implementing and running an accounting system able to track information under both IAS 39 and IFRS 9 at financial asset level will generate additional costs. We acknowledge with EFRAG's view that such increase of costs for entities that will apply the overlay approach will not result in a complete level playing field among all entities undertaking insurance activities. But we also believe that such additional costs will exceed the expected benefits.

We then consider that the overlay approach fails to address both the mismatch issue and the cost issue and that it cannot be seen as a practical alternative to the implementation of IFRS 9 in the normal way. Consequently, we see the temporary exemption as the only suitable alternative.

We share EFRAG's analysis concluding that the temporary exemption is not contrary to the true and fair view principle.

But we also acknowledge that adopting the option to apply a temporary exemption would be conducive to the European public good provided it could be applied by all entities undertaking significant insurance activities regardless they are standalone insurance entities or consolidated by conglomerates (like bancassurers).

The amendments do not respond to the concerns that have been raised for entities undertaking insurance activities that are not predominant insurers. These insurers shall also be eligible to the temporary exemption from applying IFRS 9.

We agree with EFRAG's view when it considers that the amendments to IFRS 4 do not address the cost concerns of entities undertaking insurance activities that are not predominant insurers. And, as previously mentioned, we consider that the volatility issue resulting from IFRS 9 application is not properly addressed by the overlay approach, leaving entities that are not predominant insurers with the same volatility that will just be transferred into OCI, when predominant insurers will be able to avoid such volatility in their financial statements by differing the application of IFRS 9.

Moreover, the transition period before the implementation of IFRS 9 can give the opportunity to predominant insurers to recognise in their income statements unrealised gains related to financial assets currently measured at cost or at fair value through OCI (under IAS 39) while they will be "frozen" in retained earnings for non predominant insurers. But this opportunity will not be the same for all insurers since the time span prior the implementation of IFRS 9 differs significantly between predominant and non-predominant insurers. Such behavioural incentives during the transition should also be taken into consideration when assessing the level playing field issue.

This level playing field issue is not marginal in Europe. Insurance entities consolidated into conglomerates (which would then be excluded from the temporary exemption because the conglomerate is not itself a predominant insurer) represents 22% of the insurance liabilities in the European top ten insurers. And in France, bancassurers (banking groups offering insurance services through dedicated insurance subsidiaries) are major players in the life insurance business as they represent 62% of all life insurance liabilities.

The only way to ensure a complete level playing field among all entities undertaking insurance activities is then to extend to all insurance entities, including entities undertaking insurance activities that are not predominant insurers, the availability of the temporary exemption from applying IFRS 9.

EFRAG's endorsement advice clearly states that the amendments to IFRS 4 address many of the concerns arising from implementing IFRS 9 Financial Instruments before implementing the forthcoming standard on Insurance Contracts. We agree with EFRAG to the extent that these amendments bring a suitable solution for predominant insurers, and beyond this endorsement advice we will welcome all initiatives that could help to extend the temporary exemption to all insurers, including those that are part of conglomerates.

We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

Pierre-Henri Damotte

Group Accounting Public Affairs

Pierre-Henri.Damotte@socgen.com