

## INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON APPLYING IFRS 9 FINANCIAL INSTRUMENTS WITH IFRS 4 INSURANCE CONTRACTS: AMENDMENTS TO IFRS 4

Comments should be submitted by 13 December 2016 by using the 'Express your views' page on EFRAG website or by clicking [here](#)

EFRAG has been asked by the European Commission to provide it with advice and supporting material on *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Amendments to IFRS 4* (the 'Amendments'). In order to do so, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

**EFRAG's initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of the Amendments.**

### Your details

1 Please provide the following details:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Organismo Italiano di Contabilità

- (b) Are you a:

Preparer  User  Other (please specify)

National Standard Setter

- (c) Please provide a short description of your activity:

- (d) Country where you are located:

*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts:  
Amendments to IFRS 4  
Invitation to Comment on EFRAG's Initial Assessments*

- (e) Contact details, including e-mail address:

**EFRAG's initial assessment with respect to the technical criteria for endorsement**

- 2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, the Amendments are not contrary to the principle of true and fair view and meets the criteria of understandability, relevance, reliability, comparability and raises no issues regarding prudent accounting. EFRAG's reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

- (a) Do you agree with this assessment?

Yes     No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

- (b) Are there any issues that are not mentioned in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

**The European public good**

- 3 In its assessment of the impact of the Amendments on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

*Improvement in financial reporting*

- 4 EFRAG has identified that in assessing whether the endorsement of the Amendments is conducive to the European public good it should consider whether the Amendments are an improvement over current requirements (see paragraphs 3 and 4 of Appendix 3 of the accompanying *Draft Letter to the European Commission*). To summarise, EFRAG's initial assessment is that the Amendments are likely to improve the quality of financial reporting relative to the situation if there were no remedies.

Do you agree with the assessment?

Yes     No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts:  
Amendments to IFRS 4  
Invitation to Comment on EFRAG's Initial Assessments*

*Costs and benefits*

- 5 Given that the Amendments introduce two options to assist in mitigating the misalignment of the effective dates of IFRS 9 and the forthcoming insurance contracts Standard, EFRAG expects that each entity will select the best option in its specific circumstances for which it is eligible, in particular, each entity will select the option that provides the best cost-benefit trade-off. Overall, EFRAG assesses that the benefits for both users and preparers are likely to exceed the costs of applying the Amendments for the reasons stated in paragraphs 5 – 23 of Appendix 3.

Do you agree with this assessment?

Yes     No

If you do not, please explain why you do not agree and explain broadly what you believe the costs and associated benefits will be?

*Potential competition issues within the EU*

- 6 EFRAG has identified a number of other factors that could be considered in assessing whether the endorsement of the Amendments is conducive to the European public good (see Appendix 3, paragraphs 24 to 43). EFRAG is unable to conclude whether the application of the temporary exemption from IFRS 9 amounts to a material competition issue from an economic perspective. In addition, EFRAG is not aware of any issues where the use of the overlay approach would affect competition between entities.

Do you agree with the assessment of these factors?

Yes     No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

*Other factors*

- 7 Do you agree that there are no other factors to consider in assessing whether the endorsement of the Amendments is conducive to the European public good?

Yes     No

If you do not agree, please identify the factors, provide your views on these factors and indicate how this could affect EFRAG's endorsement advice.

*Overall assessment with respect to the European public good*

- 8 EFRAG has initially concluded that endorsement of the Amendments would be conducive to the European public good (see paragraphs 44 to 47 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

Yes     No

*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts:  
Amendments to IFRS 4  
Invitation to Comment on EFRAG's Initial Assessments*

If you do not agree, please explain your reasons.

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