

Organization

ESBG

Entity

Companies - Trade, industry or representative body

Country

Belgium

Industry

Banking

Message

ESBG welcomes the opportunity to respond to the EFRAG's Draft Comment Letter ('DCL') on the IASB's Request for Information ('RFI') IASB/RFI/2025/1 Post-implementation Review ('PIR') of IFRS 16 Leases ('IFRS 16' or 'the Standard'). We appreciate EFRAG's commitment to engaging with stakeholders across sectors and geographies to assess whether the Standard is achieving its intended objectives.

1. General Observations

From the perspective of a financial institution, we consider that IFRS 16 is generally operating as intended and has achieved its principal objectives of enhancing transparency, comparability, and the faithful representation of lease-related obligations in the financial statements (EFRAG, para. 12–13; IASB RFI, para. 7–8). The requirements of the Standard have been integrated into our reporting processes without undue operational or interpretative challenges.

2. Implementation and Ongoing Application

We note that, in contrast to some of the concerns raised by other sectors and reflected in the EFRAG draft comment letter (see EFRAG, para. 21–23, 60–63), the implementation and ongoing application of IFRS 16 within the financial services sector has not resulted in significant incremental costs or operational burdens. The nature of lease arrangements in our industry—typically fewer in number, higher in value, and more standardised—has facilitated a smooth transition and ongoing compliance. Our experience suggests that the cost-benefit balance envisaged by the IASB (IASB RFI, para. 5, 10c, 21) has been broadly achieved in our view.

3. Areas of Judgement and Consistency in Practice

While we acknowledge that IFRS 16 requires the exercise of judgement in certain areas (such as the determination of the lease term and the discount rate; see EFRAG, para. 15, 33–40; IASB RFI, para. 25–29), we have not observed material diversity in practice not justified within our sector that would undermine comparability or the usefulness of information for users. The guidance provided by the Standard, together with

established internal controls and risk management frameworks, has supported consistent application (EFRAG, para. 32, 46).

4. Interaction with Other Standards and Sector-Specific Issues

We are aware that certain application issues—such as the distinction between leases and in-substance purchases, or the identification of embedded leases—have been highlighted as areas of concern by preparers in other industries (EFRAG, para. 103–108, 116–120). However, these matters have not presented significant challenges in our experience. We observe that many of the issues raised in the PIR process are sector-specific and may not be indicative of systemic deficiencies in the Standard itself (EFRAG, para. 14, 92, 102).

5. Recommendations

- We would encourage the Board to ensure that any future amendments or clarifications to IFRS 16 are proportionate and targeted (EFRAG, para. 23, 126), so as not to introduce unnecessary complexity for sectors where the Standard is functioning effectively.
- We support the Board's approach of distinguishing between sector-specific application issues and matters of general principle and recommend that any standard-setting activity arising from the PIR be appropriately scoped (EFRAG, para. 161).

6. Conclusion

In summary, we are of the view that IFRS 16 is robust and fit for purpose in the context of the financial services sector. We support the Board's efforts to address targeted issues where warranted but would caution against broad changes that could disrupt established practice in sectors where the Standard is operating as intended.