

**IASB ED/2021/8 Initial Application of IFRS 17 and IFRS 9 - Comparative Information  
(Proposed amendment to IFRS 17)**

# **Feedback to respondents – EFRAG Final Comment Letter**

**November 2021**

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## Introduction

### Objective of this feedback statement

EFRAG published its final comment letter on the Exposure Draft ED/2021/8 *Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Proposed amendment to IFRS 17)* (‘the ED’) on 8 October 2021. This feedback statement summarises the main comments received by EFRAG on its draft comment letter and explains how those comments were considered by EFRAG during its technical discussions leading to the publication of EFRAG’s final comment letter.

### Background to the ED

The ED proposed a narrow-scope amendment to the IFRS 17 *Insurance Contracts* transition requirements for entities that first

apply IFRS 17 and IFRS 9 *Financial Instruments* at the same time. This proposed amendment related to financial assets for which comparative information presented on initial application of IFRS 17 and IFRS 9 has not been restated for IFRS 9 and also related to derecognised financial assets for entities that restate comparative information applying IFRS 9. Applying the proposed amendment, an entity would be permitted to present comparative information about such a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Further details are available on the IASB [website](#).

### EFRAG’s draft comment letter

EFRAG published a [draft comment letter](#) on the proposals on 5 August 2021. In the draft comment letter, EFRAG expressed its appreciation for the IASB’s swift response and delivery of the ED. Also, EFRAG commended the IASB for addressing most of the comments raised by European constituents in this area. Overall, EFRAG agreed with the IASB proposals in the ED as they form a clear improvement over the current situation. In finalising the proposals, EFRAG recommended the IASB to align the scopes of the classification overlay and the temporary exemption from applying IFRS 9 (which is under IFRS 4 *Insurance Contracts*) due to inconsistencies in the consolidated financial statements and unnecessary operational complexity.

### Comments received from respondents

EFRAG has received and considered eight comment letters (including a draft comment letter) from respondents. These comment letters are available on the EFRAG [website](#). The respondents are listed in the Appendix to this feedback statement.

All respondents supported the classification overlay. In addition, all respondents agreed that the scope of the classification overlay approach should be aligned with the scope of the temporary exemption from applying IFRS 9 both for conceptual and operational reasons.

**EFRAG's final comment letter**

EFRAG reiterated its appreciation for the IASB's swift response and delivery of the Exposure Draft. EFRAG welcomed and supported the IASB proposal. However, some remaining concerns were highlighted. For example, alignment of the scope of the classification overlay and the temporary exemption from applying IFRS 9. Also, EFRAG suggested that the IASB states explicitly that the classification overlay may be applied from a date pre-dating the publication of the ED or the final amendment.

## Detailed analysis of issues, comments received and changes made to EFRAG’s final comment letter

### EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

### EFRAG’s response to respondents’ comments

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#### Proposed amendment

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##### *EFRAG’s tentative position*

EFRAG supported the IASB proposals. However, EFRAG recommended the IASB to align the scope between the classification overlay and the temporary exemption from applying IFRS 9 (under IFRS 4).

##### *Respondents’ comments*

All respondents supported the classification overlay and also agreed that the classification overlay approach should be aligned with the scope of the temporary exemption from applying IFRS 9.

Respondents were supportive of the proposal that the impairment approach is allowed but not required to be applied but suggested to adapt the wording to make this clearer. It was argued this would also help in finalising the opening balance sheet as at 1 January 2022.

Respondents supported the IASB proposal not to require extensive disclosures but also raised concerns that IFRS 7 disclosures would be required at both the effective date of 1 January 2023 as by the standard as well as 1 January 2022 thereby creating operational burden and questioning the benefit for users.

##### *EFRAG final position*

Taking into consideration the unanimous support from the respondents, EFRAG confirmed its position to support the IASB proposals and also to recommend the alignment of the scope between the classification overlay and the temporary exemption from applying IFRS 9. The supporting arguments were elaborated in more detail.

Also, EFRAG supported the fact that the expected credit loss approach of IFRS 9 is allowed but not required to be applied when using the classification approach and suggested to make this clearer in the final amendments. The concerns relating to the opening balance sheet of 1 January 2022 were removed.

Furthermore, given the concern raised about having to prepare double IFRS 9 transition disclosures, for 1 January 2022 and for 1 January 2023, EFRAG conveyed this concern put forward by the respondents, in the final comment letter.

EFRAG further suggested the IASB to state explicitly that the classification overlay may be applied from a date pre-dating the publication of the ED or the final amendment.

## Appendix: List of respondents

**Table 1: List of respondents**

<b>Name of respondent<sup>1</sup></b>	<b>Country</b>	<b>Type / Category</b>
German Insurance Association (GDV)	Germany	Preparer organisation
Allianz	Germany	Preparer
Accounting Standards Committee of Germany (ASCG)	Germany	National Standard-Setter
European Savings and Retail Banking Group (ESBG)	Europe	Preparer organisation
The European Insurance CFO Forum and Insurance Europe	Europe	Preparer organisation
Autorité des Normes Comptables (ANC)	France	National Standard-Setter
Organismo Italiano di Contabilità (OIC)	Italy	National Standard-Setter
Draft Comment Letter		National Standard-Setter

<sup>1</sup> Respondents whose comment letters were considered by the EFRAG Board before finalisation of the comment letter.