

Financial Reporting Working Group

Meeting date: 11 February 2020

Time: 15h00 - 16h00

Reference: ECO-FRG-20-022

European
Commission Claude Bocqueraz, Miroslaw Tadajewski

Insurance Europe: Hugh Francis (FRWG Vice Chair), Anna Vidal (FRWG Vice Chair) Benoit Jaspard (EFRAG Board), Olav Jones, Philippe Angelis

1. IFRS 17

- The secretariat introduced the topic, explaining our stance on the IASB process and recent IASB decisions on re-deliberations. In particular, the industry is expecting the IASB's decision on annual cohorts and transition at the February IASB Board meeting. The secretariat noted that the IASB recognised that improvements needed to be made. On the recent CFOF letter, the secretariat noted that Insurance Europe supported the letter's overall message and emphasised the need for the date for application of IFRS 17 be 2023.
- The Vice-Chair gave further background on the CFO Forum letter and emphasised the importance of having changes to our priority issues (level of aggregation and transition). He also explained that new evidence had been presented to the IASB on a number of topics (including hedging), which they dismissed. On the issue of timing he reported that, to his knowledge, no companies are currently planning to adopt early in 2022. All companies agreed on the importance of having one single implementation date globally.
- On timing, the Commission said that the request for a deferral of IFRS 17's effective date with early application was agreed at ARC level. They reported that the need to allow for early application was favoured by 3-4 jurisdictions within ARC. They noted that they expected the issue of timing to be discussed at the next ARC meeting, on 19 March.
- The Vice Chair informed the Commission of recent developments in Sweden on the adoption of IFRS 17, and positions on timing around the globe (Canada and Asia).
- The Commission shared that it was hard to see where the IASB would land on the remaining issues and timing. On the issue of risk mitigation, they said that it wasn't clear why hedge accounting worked for banks but could not work for insurers.
- The Vice Chair explained the fundamental differences between banks and insurers, and the reasons why identifying and segregating risks on insurance liabilities was different from the way it is done for banks.
- The Commission noted that even if the effective date was pushed to 2023, there would be no time to review a large number of issues with the standard in depth, and that it may be useful to get the standard applied even if not perfect.
- The Vice Chair and the secretariat explained that the industry was not seeking an open-ended delay and an overhaul of the standard, but that there was a need to get the fixes right now that the standard is open. The secretariat also stressed that there were only a limited number of issues and explained that the current rush, both at IASB to aim for a 2022 application and EFRAG, to allow for early application in Europe risks being used to justify that there is no time to achieve further improvements..

2. IFRS 9 – recycling and impairment

- The secretariat said they welcomed the advice by EFRAG on alternative measures of equity and expressed support for the development of a robust impairment model to accompany recycling.

- The EC said they also welcomed the advice from EFRAG and shared that they aimed at sending a letter to the IASB asking for recycling to be reconsidered this week. They agreed that asking EFRAG to work on an impairment model was a good idea, but that nothing had been decided at this stage.

3. Update of the Non-Financial Reporting Directive

- The EC explained that the three current legislative proposals on sustainable reporting (SFDR, Taxonomy and NFRD) did not start at the same time, which explains the different proposed application dates.
- On EFRAG's role in the development of "standards", they argued that the decision was taken to give the responsibility to EFRAG rather than ESMA because of the expertise developed through the EFRAG Lab. In terms of the implication for EFRAG's governance, they shared that details hadn't been worked out yet.
- In terms of timing of the NFRD update, the plan is to have a text proposal by the end of the year. The Commission then expects one year of negotiations, and application in 2022 at the earliest which would fit with the EU taxonomy.
- The Commission has not decided whether they would propose a Regulation rather than a Directive in their review of the NFRD. They noted that the advantages of regulations include better consistency and faster application.
- The Commission shared that the idea is to have the NFRD as a general framework, and standards as level 2 legislation. They confirmed that the review of the NFRD would not only focus on Environmental factors, but also Social and Governance factors.
- The results of the Fitness Check are expected to be published in the first quarter of 2020 but is currently still stuck in the Commission's internal validation processes.
- Finally, the Commission confirmed that the consultation on the update of the NFRD would run for 12 weeks and would be published in the coming days. They said that the feedback on the roadmap and from the consultation would both feed into their review of the NFRD. The Commission's timeline is constrained by the need to issue a text proposal by the end of the year, as laid out in the Commission's Sustainable Finance Action Plan.