



**VALDIS DOMBROVSKIS**

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Mr Erkki Liikanen  
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Dear Mr Liikanen, dear Mr Hoogervorst,

I am writing to you following the outcome of research work carried out by EFRAG at the request of the Commission on IFRS 9 *Financial Instruments* ('IFRS 9'). I would like to follow-up on EFRAG's work and request a review of the non-recycling treatment of equity instruments within IFRS 9, especially in the light of the investment priorities set out in the European Green Deal<sup>1</sup>.

In 2018, as part of its Action Plan on *Financing Sustainable Growth*<sup>2</sup>, the Commission asked EFRAG to consider alternative accounting treatments to measurement at fair value through profit or loss for equity instruments. Accounting treatments should faithfully portray the performance and risks of long-term investment business models. This is especially important for those equity and equity-type investments that are much needed for achieving our climate and environmental objectives.

<sup>1</sup> COM(2019) 640 final, [https://ec.europa.eu/info/sites/info/files/european-green-deal-communication\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf)

<sup>2</sup> COM(2018) 97 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018DC0097&from=EN>

On 30 January 2020, the Commission received the EFRAG's technical advice on this issue<sup>3</sup>. EFRAG recommends that the Commission ask to the IASB an “expeditious” review of the non-recycling treatment of equity instruments within IFRS 9. This would allow the transfer to profit or loss of gains and losses accumulated in other comprehensive income on such instruments when realised.

The Board aims to issue final amendments to IFRS 17 *Insurance Contracts* in Q2 2020. I would like to thank the Board for giving due consideration to concerns expressed by stakeholders. In this context, I believe that the non-recycling treatment of equity instruments needs to be revised, before IFRS 9 and IFRS 17 come into force for (re)insurers. This would ensure a proper articulation between IFRS 17 and IFRS 9 for (re)insurers as long-term investors.

My team in DG FISMA stands ready to follow up with you.

Yours sincerely,



Valdis Dombrovskis

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<sup>3</sup> EFRAG advice to the European Commission on the measurement of long-term investments in equity instruments,  
<https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/Project%20Documents/1806281004094308/Technical%20advice%20letter%20Equity%2030%20January%202020.pdf>