

To: Financial Reporting Working Group
From: Economics and Finance Department
CC:
Date: 06-07-2017
Reference: ECO-FRG-17-063

Subject: Call with EC on June ARC meeting

Summary

On the 5 July 2017 the secretariat organised a call with the European Commission (EC) accounting unit, to have an informal debrief of the June Accounting Regulatory Committee meeting (ARC).

Please see the main points from the call below:

IFRS 4 amendments

- The EC confirmed that the ARC voted to endorse IFRS 16 and IFRS 4 Amendment with the Commission Top Up.
- The EC said that the deferral will be subject to qualifying conditions, but it seems the key condition is that the entity is on the list of Financial Conglomerates (FiCOD) list.
- We understand that the text will be shared with Parliament and Council soon and will be made public shortly after that.

IFRS 17

- The EC said that it had put forward the Insurance Europe input on IFRS 17 submitted ahead of the June meeting to the ARC members, but fully recognised our caveat that it was too early to have any sort of final list.
- The EC noted that several Member States agreed with the point that it was too early to have a full overview and understanding of IFRS 17 issues at this stage.
- There was relatively little discussion therefore on the content of the EC request for endorsement advice letter to the EFRAG, but Member States did ask for the EC to be quite positive about the benefits of IFRS 17 in the letter.
- Other points mentioned in relation to the letter were:
 - The EC said that the impact of IFRS 17 on financial stability and on the availability and pricing of insurance products would also be areas that could be included in the letter.
 - Some Member States mentioned looking at potential cost savings from the introduction of solvency rules here as well and there was a request for the EC to try and obtain quantitative data from insurance companies as part of the process.
- The EC said that IFRS 17 and the request for endorsement advice letter would be discussed again at the ARC meeting on 25 or 26 September. The EC is intending to submit the draft endorsement advice letter to ARC members by mid-September for discussion at the meeting. The EC is then intending to send the letter to the EFRAG shortly after the ARC meeting.
- The EC invited Insurance Europe to send input to feed into their process for putting together the draft endorsement advice letter by the end of August.
- In response to a question on the timeline for the endorsement process, the EC said that the deadline set for the EFRAG to provide its endorsement advice in the letter would likely be September 2018. We highlighted that IFRS 9 took significantly longer and it is likely to be difficult for some companies to provide the analysis needed as input until end of 2018. The EC said, they could be flexible on extending the deadline if EFRAG can provide justifications.



- Finally, we repeated the importance for European companies to be well represented at the TRG given the relative use of IFRS 17 in Europe compared to the rest of the world. The EC said they agreed.