

Invitation to Comment:

Draft Endorsement Criteria Assessment: *Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9*

Deadline for completion of this Invitation to Comment:

Close of business 10 November 2020.

Please submit to: UKEndorsementBoard@frc.org.uk

Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the endorsement and adoption of the IASB's *Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9* (the Amendments) in the UK.

Interaction with EU endorsement and adoption process

The UK leaves the EU at the end of the Transition Period on 31 December 2020.

Until the end of the Transition Period, the European Commission will continue to endorse IFRS for use in the UK.

If the EU **endorses** the Amendments before the end of the Transition Period, UK companies will be able to apply them as they will automatically form part of the body of IFRS adopted for use in the UK at the end of the Transition Period.

If the EU **does not endorse** the Amendments before the end of the Transition Period, UK companies wishing to apply the Amendments from 1 January 2021 onwards will be reliant on UK-adoption of the Amendments. Due to the uncertainty in timing of EU adoption of the Amendments, work is being undertaken to ensure the UK is ready to undertake adoption, in January 2021, if necessary.

UK endorsement and adoption process

At the end of the Transition Period, UK-adopted international accounting standards will consist of all international accounting standards already adopted in the EU. New and amended standards, not already adopted in the EU, will be considered for endorsement and adoption in the UK. The Secretary of State for the Department for Business, Energy and Industrial Strategy will undertake this function from the end of the Transition Period until the endorsement and adoption functions are delegated to the UK Endorsement Board (EB). This delegation is currently expected to occur during 2021.

The requirements for UK endorsement and adoption are set out in the Statutory Instrument 2019/685¹.

The Endorsement Board is currently being established and will be responsible for endorsing and adopting IFRS for use in the UK after the end of the Transition Period and once these functions have been delegated to it by the Secretary of State. The Endorsement Board will also be responsible for influencing the future direction of IFRS.²

During the establishment of the Endorsement Board, the staff are undertaking endorsement activities with the support of Financial Reporting Council (FRC) infrastructure and resource.³

The information collected from this Invitation to Comment is intended to help with the endorsement assessment. This will form part of the work necessary for potential UK endorsement and adoption of the Amendments.

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts that apply IFRS.

We estimate it will take no more than 10 minutes to complete.

Privacy and other policies

The data collected through submitting this Invitation to Comment will be stored and processed by the FRC/EB. By submitting this Invitation to Comment, you consent to the FRC/EB processing your data for the purposes of endorsing and adopting the IASB's Amendments for use in the UK. For further information, please see our Privacy Statements and Notices⁴ and other Policies (e.g. Consultation Responses Policy, Data Protection Policy and Freedom of Information Policy)⁵.

The FRC's policy is to publish on its website all responses to formal consultations issued by the FRC unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. The FRC does not edit personal information (such as telephone numbers or postal or e-mail addresses) from submissions; therefore, only information that you wish to be published should be submitted.

¹ The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019: <https://www.legislation.gov.uk/ukxi/2019/685/made>

² For more information on the UK Endorsement Board, please see <https://www.gov.uk/government/groups/uk-endorsement-board-ukeb#contents>

³ For more information on the Endorsement Board's interaction with the FRC, please see <https://www.frc.org.uk/endorsement-of-ias>

⁴ These can be accessed here: <https://www.frc.org.uk/about-the-frc/procedures-and-policies/privacy-the-frc>

⁵ These policies can be accessed here: <https://www.frc.org.uk/about-the-frc/frc-operational-policies>

Part A: Your details

1. Your details:

Name	Peppino Scalzo – Head of Group Accounting Policy
Email address	Peppino.scalzo@group.landg.com

2. Are you responding on behalf of an organisation or in an individual capacity?

Organisation	<input checked="" type="checkbox"/>
As an individual	<input type="checkbox"/>

(a) If you are responding on behalf of an organisation, please name the organisation

Organisation	Legal & General
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3. Is your organisation (please select the appropriate box):

UK listed company applying IFRS	<input checked="" type="checkbox"/>
AIM company applying IFRS	<input type="checkbox"/>
Unlisted company applying IFRS	<input type="checkbox"/>
Company that does not apply IFRS	<input type="checkbox"/>
Investor organisation	<input type="checkbox"/>
Accounting firm	<input type="checkbox"/>
Membership organisation	<input type="checkbox"/>
Other	<input type="checkbox"/>
N/A	<input type="checkbox"/>

(a) If other, please comment

[Click or tap here to enter text.](#)

Part B: Assessment against technical criteria

Our initial assessment concludes that:

- the Amendments meet the criteria of relevance, reliability, comparability and understandability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by SI 2019/685 (see Regulation 7(1)(c)); and
- application of the Amendments is not contrary to the principle that an entity's accounts/consolidated accounts must give a true and fair view as required by SI 2019/685 (see Regulation 7(1)(a)).

Our assessment is set out in the following sections:

Section 3: Rationale for the Amendments
 Section 4: Assessment against technical criteria
 Section 5: True and fair view

4. Do you agree with this assessment? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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5. Please include any comments you may have in response to question 4:

The accounting policies for insurance contracts are strictly correlated to those for any assets backing such contracts. Having to revise such policies at different times (reflecting the potential different implementation date for IFRS 9 and IFRS 17) would give rise to sub-optimal asset-liability management processes, as well as volatility in the income statement. This would make information reported by insurers less relevant and hinder comparability across the industry.

Specific disclosures around some of the expected effects of implementing IFRS 9 have been required ever since IFRS 9 went in force in 2018 and this will continue until insurers implement the standard. These disclosures are useful in providing an element of comparability with companies already reporting under IFRS 9.

Part C: Assessment against UK long term public good

Our initial assessment concludes that the Amendments:

- will improve financial reporting when compared to the unamended requirements of IFRS 4;
- will lead to benefits that exceed the costs; and
- are not likely to have an adverse effect on the economy of the UK, including on economic growth.

Overall, we conclude that the Amendments are likely to be conducive to the long term public good in the UK as required by SI 2019/685 (see Regulation 7(1)(b)).

See Section 6: UK long term public good

6. Do you agree with this assessment? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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7. Please include any comments you may have in response to question 6:

Financial reporting will be improved should the Amendments be endorsed in the UK, as uniform accounting policies will be applied for insurance contracts and assets backing such contracts until both standards change at the same time in 2023.

Thank you for completing this Invitation to Comment