

Invitation to Comment

Call for comments on the UKEB Draft Comment Letter - Request for Information–Post-implementation Review: IFRS 9 *Financial Instruments* – Impairment

Deadline for completion of this Invitation to Comment:

Midday, Friday 8 September 2023

Please submit to:

UKEndorsementBoard@endorsement-board.uk

Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the UKEB's Draft Comment Letter on the Request for Information (RfI) on the Post-implementation Review (PIR) of *IFRS 9–Impairment*, published by the International Accounting Standards Board (IASB) on 30 May 2023. The IASB's comment period ends on 27 September 2023.

UK endorsement and adoption process

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation (Foundation) on the development of new standards, amendments and interpretations. This letter is intended to contribute to the IASB's due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended International Accounting Standards undertaken by the UKEB.

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts prepared in accordance with international accounting standards.

How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return it together with the 'Your Details' form to UKEndorsementBoard@endorsement-board.uk by midday on Friday 8 September 2023.

Brief responses providing views on individual questions are welcome, as well as comprehensive responses to all questions.

Privacy and other policies

The data collected through responses to this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)¹.

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¹ These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk>

Questions

Overview

Question One

1a Do you consider that there are any fundamental questions (“fatal flaws”) about the IFRS 9 impairment requirements?

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Please include any comments you may have in response to question 1a:

We believe that IFRS 9 is broadly working as intended.
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1b Are you aware of any areas of IFRS 9 where the cost of applying IFRS 9 exceeds the benefit provided by the information produced?

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Please include any comments you may have in response to question 1b:

We believe that IFRS 9 is broadly working as intended.
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Question Two

2. Do you consider the impairment requirements in IFRS 9 result in:

- a)** more timely recognition of credit losses compared to IAS 39 and address the complexity caused by having multiple impairment models for financial instruments?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We believe that IFRS 9 is broadly working as intended.
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- b) an entity providing useful information to users of financial statements about the effect of credit risk on the amount, timing and uncertainty of future cash flows?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We have no further comments regarding this section.

General approach

Question Three

3. At paragraph A3 we recommend the IASB further considers the approach to calculating credit losses on intra-group lending. Do you agree with this recommendation?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We agree that application of the general model for expected credit losses can be challenging and disproportionate where there is no history of losses and there is an expectation that the parent will provide capital injections to prevent the subsidiary from defaulting. Therefore, we agree with the UKEB that this area of IFRS 9 should be simplified to ensure that the costs of implementation do not exceed the benefits.

Significant increase in credit risk (SICR)

Question Four

4. (a) At paragraph A8 we propose an amendment to IFRS 9 to incorporate guidance on assessing SICR that was issued by IASB during the pandemic. Do you agree with this recommendation?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

The guidance provided by the IASB emphasises the importance of applying judgement when assessing expected credit losses (ECL) during a pandemic and it is a useful reminder to preparers that ECL models should not be applied mechanically.

- (b) At paragraph A10 we propose an amendment to IFRS 9 that, for financial assets that have become credit impaired, would require entities to apply the effective interest rate requirements to the asset no later than the beginning of the subsequent reporting period. Do you agree with this recommendation?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We have no further comments regarding this section.

- (c) Are there any other aspects of the assessment of significant increase in credit risk requirements that give rise to significant challenges that could be resolved through standard-setting?

We have no further comments regarding this section.

Measurement

Question Five

5. (a) At paragraph A14 we recommend the IASB consolidates certain sections of non-authoritative guidance produced by the IFRS Transition Resource Group into the Standard. Do you agree with this recommendation?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We believe it is useful to consolidate the guidance in one place.

- (b) At paragraph A15 we recommend that the IASB provides a definition of a post-model adjustment in the Standard. Do you agree with this recommendation?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We have no further comments regarding this section.

(c) At paragraphs A17-A18 we recommend that the IASB provides further guidance in the Standard for impairment requirements for loan commitments and financial guarantees. Do you agree with these recommendations?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We have no further comments regarding this section.

(d) Are there any other aspects of the credit loss measurement requirements that give rise to significant challenges that could be resolved through standard-setting?

We have no further comments regarding this section.

Simplified approach

Question Six

6. Are there any aspects of the simplified approach for trade receivables, contract assets and lease receivables that give rise to significant challenges that could be resolved through standard-setting?

No, we believe that this area of IFRS 9 is working as intended.

Purchased or originated credit-impaired financial assets (POCI)

Question Seven

7. Are there any aspects of the requirements for purchased or originated credit-impaired assets that give rise to significant challenges that could be resolved through standard-setting?

We have no further comments regarding this section.

Interaction with other requirements

Question Eight

8. (a) At paragraphs A21-A25 we recommend that the IASB provides further guidance in the Standard on the interaction between the derecognition, modification and expected credit loss requirements for financial assets. Do you agree with these recommendations?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We have no further comments regarding this section.

- (b) Are there any other aspects of the application of the impairment requirements alongside other IFRS accounting standard requirements that give rise to significant challenges that could be resolved through standard-setting?

We have no further comments regarding this section.

Disclosure

Question Nine

9. (a) At paragraph A31 we recommend disclosure should be made of expected credit loss by sector. Do you agree with this recommendation?

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Please explain why or why not.

We believe that existing disclosure requirements in IFRS 7 are sufficient.

- (b) At paragraph A33 we recommend the IASB provides further educational materials to assist preparers and auditors apply the proportionality guidance at IFRS 7 35D when using the simplified approach. Do you agree with this recommendation?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please explain why or why not.

We have no further comments regarding this section.

(c) Are there any other aspects of the credit risk disclosure requirements that give rise to significant challenges that could be resolved through standard-setting?

We have no further comments regarding this section.

Overview

Question 10

10. (a) Are there any other comments you would like to make on the IFRS 9 impairment requirements?

We have no further comments regarding this section.

Thank you for completing this Invitation to Comment

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