

Invitation to Comment

Call for comments on Draft Endorsement Criteria Assessment of *Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments*.

Deadline for completion of this Invitation to Comment:

Close of business, 10 January 2025

Please submit to:

UKEndorsementBoard@endorsement-board.uk

Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the endorsement and adoption of *Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments* (the Amendments), published by the International Accounting Standards Board (IASB) in May 2024. The Amendments aim to clarify the requirements for the derecognition of financial liabilities, and for assessing the classification of financial assets, particularly those with contingent features. In addition, the amendments introduce a limited number of additional disclosure requirements. The Amendments aim to address diversity in practice and improve the usefulness of the information provided to the investors. The Amendments will be effective for annual periods beginning on or after 1 January 2026. Earlier application is permitted. The information collected from this Invitation to Comment is intended to help with the endorsement assessment.

UK endorsement and adoption process

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

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

The powers to formally adopt international accounting standards for use in the UK were delegated to the UK Endorsement Board in May 2021².

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts prepared in accordance with IFRS 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 to UKEndorsementBoard@endorsement-board.uk by close of business on 10 January 2025.

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

Privacy and other policies

The data collected through submitting 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)³.

The UKEB's policy is to publish on its website all responses to formal consultations issued by the UKEB 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. If you do not wish your signature to be published, please provide the UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the "Your Details" document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other response document submitted; therefore, only information that you wish to be published should be submitted in such responses.

² The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021: <https://www.legislation.gov.uk/ukxi/2021/609/contents/made>

³ These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk>

Assessment against endorsement criteria

Our draft assessment [tentatively] concludes that:

- the Amendments meet the criteria of relevance, reliability, understandability and comparability 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));
- application of the Amendments is not contrary to the principle that an entity's accounts must give a true and fair view as required by SI 2019/685 (see Regulation 7(1)(a)); and
- 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)), having considered:
 - whether they will generally improve the quality of financial reporting;
 - the costs and benefits that are likely to result from their use; and
 - whether they are likely to have an adverse effect on the economy of the UK, including on economic growth.

Our assessment of the Amendments is set out in **Section 2** of the DECA on the pages indicated below:

	Page
Rationale for the Amendments	10
Technical accounting criteria assessment	11-20
True and fair view	20
UK long term public good (including costs and benefits for preparers and users)	20-26

Questions

Technical accounting criteria assessment

1. Do you agree with the draft assessment of the Amendments against the technical accounting criteria? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
-----	-------------------------------------	----	--------------------------

2. Please include any comments you may have in response to question 1:

Various representations have been made by UK stakeholders to the UKEB during the development of these amendments. Not all reservations have been addressed by the IASB in the final amendments. We acknowledge that the UKEB assesses the amendments as issued by the IASB and does not take into account possible improvements. Thus far we have no further observation on the technical assessment produced by the UKEB, although we note that the amendments do not address all substantive issues raised by stakeholders.

True and fair view

3. Do you agree with the draft assessment that the Amendments **are not contrary to the true and fair view requirement**? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
-----	-------------------------------------	----	--------------------------

4. Please include any comments you may have in response to question 3:

No further observations.

UK long term public good

5. Do you agree with the initial overall assessment of **costs and benefits** likely to arise from the Amendments? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
-----	-------------------------------------	----	--------------------------

6. Please include any comments you may have in response to question 5 including, if applicable, any indicative cost estimate or if any costs or benefits have been omitted from the analysis:

In the response to the IASB on the Exposure Draft the UKEB expressed concerns about the practical implications of the amendments to the derecognition requirements of financial liabilities through electronic transfers. In the DECA on pages 22 and 23, it is stated that the UKEB expects the implementation costs not to be material for preparers. There is no consensus yet about the path of adoption of these amendments by UK entities and hence considered too early to conclude with certainty on whether it needs more costly system changes or can be addressed through other less costly changes to existing reporting practices.

7. If you provided an indicative cost estimate in Question 6, can you please provide an approximate breakdown by amendment:
- a) Amendments to IFRS 9 – Recognition and derecognition
 - b) Amendments to IFRS 9 – Classification of financial assets.
 - c) Amendments to IFRS 7: Disclosure.

Intentionally left blank.

8. Do you agree with the draft assessment that the Amendments are likely to be conducive to the **long term public good in the UK**? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
-----	-------------------------------------	----	--------------------------

9. Please include any comments you may have in response to question 8:

No further observations.

10. Do you have **any other comments** you would like to add?

In the comment letter to the IASB on the Exposure Draft, the UKEB emphasised that resolving the classification and measurement requirements for financial instruments with ESG features is urgent. The amendments were published in May 2024, but endorsement in the UK is not planned before March 2025, which means they would not be adopted for use in the UK and hence will not be available for early application, by the time the largest UK financial institutions publish their 2024 year-end financial statements.

Given the original call for urgency we would have expected the timetable for UK endorsement to allow where possible for early adoption for 2024 year-ends.

Thank you for completing this Invitation to Comment

**Please submit this document
by close of business on 10 January 2025] to:
UKEndorsementBoard@endorsement-board.uk**