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**Financial Reporting Technical
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Berlin, 17 May 2022

Dear Jean-Paul,

IFRS IC TADs in the final phase of implementing IFRS 17 Insurance Contracts

On behalf of the Accounting Standards Committee of Germany, I am writing to comment on EFRAG's Draft Comment Letter ('DCL') on the IFRS IC Tentative Agenda Decisions ('TADs') in the final phase of implementing IFRS 17 *Insurance Contracts*.

We refer to our detailed comments in our comment letter to the IFRS IC on the TADs taken by the IFRS IC as published in the March 2022 IFRIC Update, which we have submitted to the IFRS IC today – and which is attached to this letter. We agree with the conclusions of the IFRS IC on the technical matter covered so far. However, as regards EFRAG's DCL, our Financial Reporting Technical Committee shares the concerns about the challenges arising from the implementation of IFRS 17.

Looking forward, we also would like to emphasise the importance of the outreach that the IFRS IC undertakes before any TADs on new or amended Standards. In the specific case of IFRS 17 the IFRS IC due process might benefit, inter alia, from input from the Transition Resource Group (TRG) as one of the ways the IASB is supporting implementation of the new Standard by providing a public forum for stakeholders to follow the discussion of questions raised on implementation.

If you would like to discuss our comments further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Sven Morich

Vice President

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Berlin, 17 May 2022

Dear Bruce,

IFRS IC's tentative agenda decisions in its March 2022 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the tentative agenda decisions taken by the IFRS IC as published in the March 2022 *IFRIC Update*.

As regards the **tentative agenda decision on IAS 32**, we basically agree with the IFRS IC's findings. However, we acknowledge that the issue comprises a more general and broadly relevant question, whether an action (or a decision) of the shareholders, e.g. at a shareholders meeting, is an action (or a decision) of the entity. This question seems crucial and, as mentioned in the *IFRIC Update*, arises equally in other circumstances. Therefore, it deserves a timely answer.

Overall, we like to note that any matter being deferred to the FICE project – as has been repeatedly the case in the past – leads to a delayed answer or none at all. While this allows for comprehensive consideration of those issues, which – on its own – would be beneficial, the respective issue(s) often will not be solved in a timely manner, which is rather detrimental to accounting.

Regarding the **tentative agenda decision on IFRS 2 / IFRS 3 / IAS 32**, we do not fully support the findings and reasoning behind the decision. While the conclusions on who is the acquirer and whether the acquisition constitutes a business appear appropriate, two other findings do not seem intuitive.

Firstly, the idea of splitting the acquisition and allocating the shares and the warrants to the individual assets/liabilities acquired does not appear evident. Further, while the IFRS application and outcomes as regards accounting/measurement at the acquisition date are broadly

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explained, we acknowledge that further questions as regards subsequent measurement could arise – on which the decision’s wording is silent.

Secondly, the finding that considering the legal structure of the acquisition might lead to the conclusion that the acquirer (i) assumes the SPAC warrants or (ii) does not assume the SPAC warrants opens up room for judgement. We understand that the IFRS IC does not suggest which of the two conclusions applies to the fact pattern submitted, nor does the IFRS IC provide further details on how to appropriately conclude on this question more generally. Overall, we feel that the decision and the respective wording do not add to clarity or to consistent application.

As regards the **tentative agenda decision on IFRS 16** (in respect of the lessor), the decision and the reasons behind do not appear fully comprehensible. More generally, this issue again touches on the interaction of modification vs. impairment vs. write-off vs. derecognition, which still awaits clarification. (We refer to our respective comments in our comment letter, dated 28 January 2022, to the PIR on IFRS 9 / classification and measurement.) It seems worth integrating and discussing this complex issue comprehensively within the next PIR on IFRS 9 / section “Impairment”.

As regards the **tentative agenda decision on IFRS 17**, we agree with the conclusions of the IFRS IC on the technical matters, in particular with the general finding that IFRS 17.B119 contains a principle without prescribing particular methods for determining the quantity of benefits.

In addition, we like to note that this tentative agenda decision is taken close to the date of initial application of IFRS 17. While we do not generally object to solving application issues even close to initial application, we have been made aware of concerns by insurance entities in respect of this particular case.

Due to the complexity of IFRS 17, accompanied by a parallel run of IFRS 4 / IAS 39 and IFRS 17 / IFRS 9 throughout 2022, these entities are currently in a crucial period of implementation and facing a high workload. Hence, for these entities it might be impracticable to implement further changes before the effective date of IFRS 17 that derive from an agenda decision. This said, we suggest that the IFRS IC thoroughly discusses, and potentially clarifies, how the principle “sufficient time” to implement applies in the respective context. Further, we kindly ask the IFRS IC to carefully consider which steps it undertakes in responding to a submission that affects IFRS requirements right before initial application.

We would like to add more generally that IFRS IC deliberations on new or just amended IFRS requirements come along with an additional challenge: The agenda decisions do not only affect the crucial implementation period, but there is also only limited accounting practice yet (be it predominance or diversity) which can be considered and analysed. Therefore, we urge the IFRS IC to carefully consider the due process it undertakes in responding to those submissions



as it may have a significant impact for entities during the implementation period if accounting policies need to be changed.

In the specific case of IFRS 17 the IFRS IC due process might benefit, inter alia, from input from the Transition Resource Group (TRG) as one of the ways the IASB is supporting implementation of the new standard by providing a public forum for stakeholders to follow the discussion of questions raised on implementation.

If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

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