

Resolution on International Financial Reporting Standards: IFRS 9

2016/2898(RSP) - 06/10/2016 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on International Financial Reporting Standards: IFRS 9.

On 24 July 2014, the International Accounting Standards Board (IASB) published the international financial reporting standards (IFRS 9) as a key response to some aspects of the financial crisis and to its impact on the banking sector. IFRS 9 will be effective from 1 January 2018 and replaces IAS 39.

The European Financial Reporting Advisory Group (EFRAG) issued a positive endorsement advice on IFRS 9 with a number of observations concerning the use of 'fair value' in stressed market conditions, the lack of a conceptual basis regarding the 12-month loss provisioning approach and unsatisfactory provisions pertaining to long-term investment.

Concrete guidance: Parliament acknowledged that IFRS 9 constitutes an improvement on IAS 39 insofar as the move from an 'incurred loss' to an 'expected loss' impairment model addresses the problem of 'too little, too late' in the loan loss recognition procedure.

In this regard, Members called for guidance to be developed by the European Supervisory Authorities in cooperation with the Commission and EFRAG in order to prevent any abuse of management discretion.

Better understanding of the impact of IFRS: noting the absence of a proper quantitative impact assessment for IFRS 9 which is due in part to a lack of reliable data, Parliament underlined the need to gain a better understanding of the impact of IFRS 9 on the banking sector, the insurance sector and the financial markets in general, but also on the financial sector as a whole. It reiterated the request of its Committee on Economic and Monetary Affairs to the ESRB for an analysis of the financial stability implications of the introduction of IFRS 9.

Members welcomed the **ongoing EBA assessment of IFRS 9's impact on banks in the EU**.

The Commission is called upon to **propose appropriate steps in the prudential framework by the end of 2017**, e.g. to insert into the Capital Requirements Regulation a progressive phase-in regime that will mitigate the impact of the new impairment model for a three-year period, or until an adequate international solution has been put in place, and avoid any sudden unwarranted impact on banks' capital ratios and lending.

Promote long-term investments: Parliament called on the Commission to make sure that IFRS 9 serves the EU's long-term investment strategy and reduces pro-cyclicality and incentives for excessive risk-taking. It called on the Commission to come forward with an evaluation no later than December 2017.

It also welcomed the Commission's current initiative to compare Member States' practices with regard to **dividend distribution**. It called on it to ensure compliance of IFRS 9 with the Capital Maintenance Directive and the Accounting Directive.

Ensure appropriate monitoring: Parliament called on the Commission, together with the European Supervisory Agencies (ESAs), the ECB, the European Systemic Risk Board (ESRB) and EFRAG, to

closely monitor the implementation of IFRS 9 in the EU, to prepare an **ex post impact assessment no later than June 2019** and to present this assessment to the European Parliament and act in accordance with its views.

The IASB should conduct a post-implementation review (PIR) of IFRS 9 in order to identify and assess unintended effects of the standard, in particular on long-term investment.