**Comments for submission by noon on 20 November 2015 to commentletters@efrag.org**

Roger Marshall
Acting President of the EFRAG Board
35 Square de Meeûs
B-1000 Brussels

20 November 2015

Dear Mr Marshall,

**Comments on the EFRAG draft letter to the European Commission posted on the EFRAG website on 13 November 2015 relating to the endorsement of IFRS 9**

As members of the Corporate Reporting Users Forum, we are writing in response to your recent draft letter to the European Commission on the endorsement of IFRS 9.

We are surprised and disappointed by the view that EFRAG expresses in the draft, recommending that insurers, unlike all other businesses, be permitted, but not required, to comply with IFRS 9 in 2018.

Three CRUF members have already engaged directly with EFRAG on this matter. For the reasons set out fully in a letter dated 22 July 2015 to the IASB from two of them, William Hawkins and Andrew Crean, and further short comments made on 29 June 2015 to the UK FRC and the IASB by a third CRUF member, Crispin Southgate (see Appendix for details), we do not think European insurers should be allowed special dispensation to delay the implementation of IFRS 9 at all.

The IASB has since sought to accommodate the concerns of insurers in this regard and will shortly be publishing an exposure draft to assist them. We are therefore all the more firmly of the view that insurers should be required to comply with IFRS 9 from 2018, since it seems likely that they will benefit from transitional arrangements for which, from the users' perspective, we question the need.

**About the Corporate Reporting Users' Forum (CRUF)**

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organizations. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective organizations. The participants in the Forum that have specifically endorsed this response are listed below.

The Corporate Reporting Users' Forum

(Signatures)

Crispin Southgate
Director
Institutional Investment Advisors Limited

William Hawkins, KBW

Andrew Crean of Autonomous

Jane Fuller, FSIP

Paul Lee

Marietta Miemietz
Primavenue

Ben Peters
Investment Director
Evenlode

Simon Samuels

The Corporate Reporting Users' Forum

Appendix

1. Letter to Hans Hoogervorst, Chairman, IASB dated 22 July 2015 from William Hawkins of Keefe, Bruyette & Woods and Andrew Crean of Autonomous Research
   – see attached pdf.

2. Comments submitted to the UK Financial Reporting Council and the IASB on 29 June 2015, reflecting discussions with EFRAG earlier in June 2015, by Crispin Southgate of Institutional Investment Advisors Limited, a member of the Financial Stability Board's Enhanced Disclosure Task Force and author of "Solvency II: A Briefing for the Chief investment Officer" issued by IIA and JP Morgan Asset Management Limited:

"I have spoken with EFRAG and my views are

- A strong case would need to be made to allow a single industry to defer IFRS 9
- It strikes me as very odd that an industry
  - facing a radical reassessment (and, in my view, improvement amounting substantially to overdue correction) of the basic accounting for something that only they do – write insurance liabilities –
  - should be permitted to cause an inconsistent adoption across the market of a standard affecting something else – holding assets – where insurers are just one of a number of industries doing the same thing.
- The EFRAG board paper on this subject included the following in favour of deferral:
  - *"Information needs of users. Users will find difficulties in understanding the financial performance and position of insurers during the period between the adoption of IFRS9 and the future insurance contracts standard. Insurance entities are likely to provide non-GAAP measures to explain the impact of accounting mismatches caused by a change in the measurement of financial assets that is not accompanied by a change in the measurement of the insurance liability. This is likely to require users to perform complex analyses to understand the insurer's results by linking non-GAAP measures to the financial statements."*
    As a user I do not share this view at all. It's the odd way that insurance is currently accounted for that already requires copious analysis and explanation using non GAAP measures. They will have to keep doing this anyway.
- In my view the case made for deferral is weak or wrong
  - If insurers face two explanations for big changes in their results (one for IFRS 9 and one for IFRS 4) then so be it.
  - The first explanation will be of something affecting every reporter holding the relevant type of asset. It makes much more sense for the market as a whole to understand the IFRS 9 impact on holders of (often the same) affected assets at the same time, whatever their industry and especially in financial conglomerates.
  - In insurance, the (1) accounting versus (2) risk management versus (3) regulatory picture of assets vs liabilities is already a mess. That's why you need analysts and they need explanations from the insurers to make sense of what has happened and what the future holds, including risk exposure.

Post IFRS 4 and IFRS 9 we will not reach some enlightened state where everything becomes tidy and consistent. For example: in Europe, Solvency II will require all assets at fair value and 'accounting Asset vs regulatory Asset' distinctions can abide beyond both IFRS 4 and IFRS 9 changes if debt assets continue to be held at cost subject to expected losses. You can expect similar mismatches outside Europe wherever a similar 'fair-value of assets and liabilities regulatory model' is introduced."