Commission Regulation (EU) 2018/498 of 22 March 2018 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9 (Text with EEA relevance)

COMMISSION REGULATION (EU) 2018/498

of 22 March 2018

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards[(1)], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008[(2)] certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) On 12 October 2017, the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9 Financial Instruments *Prepayment features with Negative Compensation*. The amendments are intended to clarify the classification of particular prepayable financial assets when applying IFRS 9.

(3) Following consultations with the European Financial Reporting Advisory Group, the Commission concludes that the amendments to IFRS 9 meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(4) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(5) The IASB set the effective date of the amendments as 1 January 2019 with earlier application permitted.

(6) Since Commission Regulation (EU) 2016/2067[(3)] has become applicable for financial periods starting at the latest on or after 1 January 2018, companies should be able to use International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as amended in the Annex to this Regulation as from the date of application of Regulation (EU) 2016/2067. Therefore, companies should be able to apply the provisions of this Regulation for financial periods starting on or after 1 January 2018.

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) 2018/498. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(7) Given that Regulation (EU) 2016/2067 entered into force on 12 December 2016, in order to ensure consistency this Regulation should enter into force as soon as possible.

(8) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

In the Annex to Regulation (EC) No 1126/2008, International Financial Reporting Standard (IFRS) 9 *Financial Instruments* is amended as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments referred to in Article 1 at the latest, as from the commencement date of its first financial year starting on or after 1 January 2019.

Article 3

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 22 March 2018.

For the Commission

The President

Jean-Claude JUNCKER

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) 2018/498. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

ANNEX

Prepayment Features with Negative Compensation(Amendments to IFRS 9)
Amendments to IFRS 9 *Financial Instruments*

Paragraph 7.1.7 is added. A new heading and paragraphs 7.2.29–7.2.34 are added.

Chapter 7

Effective date and transition

7.1 EFFECTIVE DATE

…

7.1.7 *Prepayment Features with Negative Compensation* (Amendments to IFRS 9), issued in October 2017, added paragraphs 7.2.29-7.2.34 and B4.1.12 A and amended paragraphs B4.1.11(b) and B4.1.12(b). An entity shall apply these amendments for annual periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

7.2 TRANSITION

…

Transition for *Prepayment Features with Negative Compensation*

7.2.29 An entity shall apply *Prepayment Features with Negative Compensation* (Amendments to IFRS 9) retrospectively in accordance with IAS 8, except as specified in paragraphs 7.2.30-7.2.34.

7.2.30 An entity that first applies these amendments at the same time it first applies this Standard shall apply paragraphs 7.2.1-7.2.28 instead of paragraphs 7.2.31-7.2.34.

7.2.31 An entity that first applies these amendments after it first applies this Standard shall apply paragraphs 7.2.32-7.2.34. The entity shall also apply the other transition requirements in this Standard necessary for applying these amendments. For that purpose, references to the date of initial application shall be read as referring to the beginning of the reporting period in which an entity first applies these amendments (date of initial application of these amendments).

7.2.32 With regard to designating a financial asset or financial liability as measured at fair value through profit or loss, an entity:

(a) shall revoke its previous designation of a financial asset as measured at fair value through profit or loss if that designation was previously made in accordance with the condition in paragraph 4.1.5 but that condition is no longer satisfied as a result of the application of these amendments;

(b) may designate a financial asset as measured at fair value through profit or loss if that designation would not have previously satisfied the condition in paragraph 4.1.5 but that condition is now satisfied as a result of the application of these amendments;

(c) shall revoke its previous designation of a financial liability as measured at fair value through profit or loss if that designation was previously made in accordance with the condition in paragraph 4.2.2(a) but that condition is no longer satisfied as a result of the application of these amendments; and