Commission Regulation (EU) 2016/2067 of 22 November 2016 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) 2016/2067

of 22 November 2016

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 24 July 2014, the International Accounting Standards Board (IASB) published International Financial Reporting Standard (IFRS) 9 *Financial Instruments*. The standard aims to improve the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 responds to the G20's call to move to a more forward-looking model for the recognition of expected losses on financial assets.

(3) Adoption of IFRS 9 implies, by way of consequence, amendments to International Accounting Standard (IAS) 1, IAS 2, IAS 8, IAS 10, IAS 12, IAS 20, IAS 21, IAS 23, IAS 28, IAS 32, IAS 33, IAS 36, IAS 37, IAS 39, IFRS 1, IFRS 2, IFRS 3, IFRS 4, IFRS 5, IFRS 7, IFRS 13, Interpretation of the International Financial Reporting Interpretations Committee (IFRIC) 2, IFRIC 5, IFRIC 10, IFRIC 12, IFRIC 16, IFRIC 19 and interpretation of the Standing Interpretations Committee (SIC) 27 in order to ensure consistency between international accounting standards. In order to ensure consistency with Union law, a consequential amendment to IAS 39, related to fair value hedge accounting, has not been effected in this Regulation. Furthermore, IFRS 9 repeals IFRIC 9.

(4) Following consultations with the European Financial Reporting Advisory Group and having considered the matters arising from that consultation, in particular regarding the

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impact of the application of IFRS 9 on the insurance sector, it is concluded that IFRS 9 meets the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(5) The adoption of international accounting standards by the Commission has to be done in a timely manner so as not to undermine investor understanding and confidence. Nevertheless, while endorsing IFRS 9, the need for an optional deferral of its application for the insurance sector is recognised. The IASB has undertaken an initiative to address this issue and is expected to submit a proposal in order to secure a single internationally recognised solution. However, in the case that the provisions adopted by the IASB by 31 July 2016 are not considered satisfactory, the Commission intends to give an option to the insurance sector not to apply IFRS 9 for a limited period of time.

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

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

HAS ADOPTED THIS REGULATION:

Article 1

1 The Annex to Regulation (EC) No 1126/2008 is amended as follows:

a International Financial Reporting Standard (IFRS) 9 *Financial Instruments* is inserted as set out in the Annex to this Regulation;

b the following international accounting standards are amended in accordance with IFRS 9 *Financial Instruments* as set out in the Annex to this Regulation:

(i) IAS 1 *Presentation of Financial Statements*;

(ii) IAS 2 *Inventories*;

(iii) IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(iv) IAS 10 *Events after the Reporting Period*;

(v) IAS 12 *Income Taxes*;

(vi) IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;

(vii) IAS 21 *The Effects of Changes in Foreign Exchange Rates*;

(viii) IAS 23 *Borrowing Costs*;

(ix) IAS 28 *Investments in Associates and Joint Ventures*;

(x) IAS 32 *Financial Instruments: Presentation*;

(xi) IAS 33 *Earnings per Share*;

(xii) IAS 36 *Impairment of Assets*;

(xiii) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;

(xiv) IAS 39 *Financial Instruments: Recognition and Measurement*;

(xv) IFRS 1 *First-time Adoption of International Financial Reporting Standards*;

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(xvi) IFRS 2 *Share-based Payment*;

(xvii) IFRS 3 *Business Combinations*;

(xviii) IFRS 4 *Insurance Contracts*;

(xix) IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*;

(xx) IFRS 7 *Financial Instruments: Disclosures*;

(xxi) IFRS 13 *Fair Value Measurement*;

(xxii) Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) 2 *Members' Shares in Cooperative Entities and Similar Instruments*;

(xxiii) IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;

(xxiv) IFRIC 10 *Interim Financial Reporting and Impairment*;

(xxv) IFRIC 12 *Service Concession Arrangements*;

(xxvi) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*;

(xxvii) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*;

(xxviii) Interpretation of the Standing Interpretations Committee SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

c IFRIC 9 *Reassessment of Embedded Derivatives* is repealed in accordance with IFRS 9 as set out in the Annex to this Regulation.

2 Each company shall cease to apply the following provisions, regarding the references to IFRS 9 as from the commencement date of its first financial year starting on or after 1 January 2018:

a Article 1(2) of Commission Regulation (EU) No 1254/2012[(3)];
b Article 1(2) of Commission Regulation (EU) No 1255/2012[(4)];
c Article 1(2) of Commission Regulation (EU) No 183/2013[(5)];
d Article 1(2) of Commission Regulation (EU) No 313/2013[(6)];
e Article 1(2) of Commission Regulation (EU) No 1174/2013[(7)];
f Article 1(2) of Commission Regulation (EU) No 1361/2014[(8)];
g Article 1(2) of Commission Regulation (EU) 2015/28[(9)];
h Article 1(2) of Commission Regulation (EU) 2015/2173[(10)];
i Article 1(2) of Commission Regulation (EU) 2015/2441[(11)];
j Article 1(2) of Commission Regulation (EU) 2016/1703[(12)];
k Article 1(2) of Commission Regulation (EU) 2016/1905[(13)].

3 If a company elects to apply IFRS 9 *Financial Instruments* for its financial years beginning before 1 January 2018, it shall apply the provisions of paragraph 2 for those financial years.

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 2018.

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Article 3

This Regulation shall enter into force on the twentieth 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 November 2016.

For the Commission

The President

Jean-Claude JUNCKER

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ANNEX

IFRS 9Financial Instruments

International Financial Reporting Standard 9

CHAPTER 1

Objective

1.1. The objective of this Standard is to establish principles for the financial reporting of *financial assets* and *financial liabilities* that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

CHAPTER 2

Scope

2.1. This Standard shall be applied by all entities to all types of financial instruments except:

(a) **those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with IFRS 10 *Consolidated Financial Statements*, IAS 27 *Separate Financial Statements* or IAS 28 *Investments in Associates and Joint Ventures*. However, in some cases, IFRS 10, IAS 27 or IAS 28 require or permit an entity to account for an interest in a subsidiary, associate or joint venture in accordance with some or all of the requirements of this Standard. Entities shall also apply this Standard to derivatives on an interest in a subsidiary, associate or joint venture unless the derivative meets the definition of an equity instrument of the entity in IAS 32 *Financial Instruments: Presentation*.**

(b) **rights and obligations under leases to which IAS 17 *Leases* applies. However:**

  (i) **lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of this Standard;**

  (ii) **finance lease payables recognised by a lessee are subject to the derecognition requirements of this Standard; and**

  (iii) **derivatives that are embedded in leases are subject to the embedded derivatives requirements of this Standard.**

(c) **employers' rights and obligations under employee benefit plans, to which IAS 19 *Employee Benefits* applies.**

(d) **financial instruments issued by the entity that meet the definition of an equity instrument in IAS 32 (including options and warrants) or that are required to be classified as an equity instrument in accordance with paragraphs 16A and 16B or paragraphs 16C and 16D of IAS 32. However, the holder of such equity instruments shall apply this Standard to those instruments, unless they meet the exception in (a).**