COMMISSION REGULATION (EU) 2022/1491

of 8 September 2022

amending Regulation (EC) No 1126/2008 as regards International Financial Reporting Standard 17

(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 accounting standards and interpretations that were in existence on 15 October 2008 were adopted.

(2) On 19 November 2021, by Commission Regulation (EU) 2021/2036 ([3]) the Commission adopted the new International Financial Reporting Standard (IFRS) 17 *Insurance Contracts* as issued by the International Accounting Standards Board (IASB) in May 2017 and amended by it in June 2020. That standard is to apply from 1 January 2023 onwards. Earlier application is permitted.

(3) On 9 December 2021, the IASB published a further amendment to IFRS 17. The amendment to the transition requirements in IFRS 17 allows companies to overcome one-time classification differences of comparative information of the previous reporting period upon initial application of IFRS 17 and IFRS 9 *Financial Instruments*.

(4) The optional classification overlay introduced by that amendment enables companies to increase the usefulness of comparative information presented upon the initial application of IFRS 17 and IFRS 9. The scope covers financial assets linked to insurance liabilities, which have not been restated for IFRS 9 so far.

(5) Following the consultation with the European Financial Reporting Advisory Group, the Commission concludes that the amendment to IFRS 17 *Insurance Contracts* meets the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(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

In the Annex to Regulation (EC) No 1126/2008, International Financial Reporting Standard (IFRS) 17 *Insurance Contracts* is amended as set out in the Annex to this Regulation.

([1]) OJ L 243, 11.9.2002, p. 1.

([2]) Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1).

([3]) Commission Regulation (EU) 2021/2036 of 19 November 2021 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 17 (OJ L 416, 23.11.2021, p. 3).

Article 2

Companies can apply the amendment referred to in Article 1 only on initial application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*.

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, 8 September 2022.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

Initial Application of IFRS 17 and IFRS 9 – Comparative Information

Amendment to IFRS 17

Amendment to IFRS 17 *Insurance Contracts*

Paragraphs C2A, C28A–C28E, C33A and the heading before paragraph C28A are added. For ease of reading these paragraphs have not been underlined.

Appendix C

Effective date and transition

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EFFECTIVE DATE

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C2A *Initial Application of IFRS 17 and IFRS 9—Comparative Information*, issued in December 2021, added paragraphs C28A–C28E and C33A. An entity that chooses to apply paragraphs C28A–C28E and C33A shall apply them on initial application of IFRS 17.

TRANSITION

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Comparative information

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Entities that first apply IFRS 17 and IFRS 9 at the same time

C28A An entity that first applies IFRS 17 and IFRS 9 at the same time is permitted to apply paragraphs C28B–C28E (classification overlay) for the purpose of presenting comparative information about a financial asset if the comparative information for that financial asset has not been restated for IFRS 9. Comparative information for a financial asset will not be restated for IFRS 9 if either the entity chooses not to restate prior periods (see paragraph 7.2.15 of IFRS 9), or the entity restates prior periods but the financial asset has been derecognised during those prior periods (see paragraph 7.2.1 of IFRS 9).

C28B An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. The entity shall use reasonable and supportable information available at the transition date (see paragraph C2(b)) to determine how the entity expects the financial asset would be classified and measured on initial application of IFRS 9 (for example, an entity might use preliminary assessments performed to prepare for the initial application of IFRS 9).

C28C In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements in Section 5.5 of IFRS 9. If, based on the classification determined applying paragraph C28B, the financial asset would be subject to the impairment requirements in Section 5.5 of IFRS 9 but the entity does not apply those requirements in applying the classification overlay, the entity shall continue to present any amount recognised in respect of impairment in the prior period in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Otherwise, any such amounts shall be reversed.

C28D Any difference between the previous carrying amount of a financial asset and the carrying amount at the transition date that results from applying paragraphs C28B–C28C shall be recognised in opening retained earnings (or other component of equity, as appropriate) at the transition date.

C28E An entity that applies paragraphs C28B–C28D shall:

(a) disclose qualitative information that enables users of financial statements to understand:

(i) the extent to which the classification overlay has been applied (for example, whether it has been applied to all financial assets derecognised in the comparative period);

(ii) whether and to what extent the impairment requirements in Section 5.5 of IFRS 9 have been applied (see paragraph C28C);

(b) only apply those paragraphs to comparative information for reporting periods between the transition date to IFRS 17 and the date of initial application of IFRS 17 (see paragraphs C2 and C25); and

(c) at the date of initial application of IFRS 9, apply the transition requirements in IFRS 9 (see Section 7.2 of IFRS 9).

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C33A For a financial asset derecognised between the transition date and date of initial application of IFRS 17, an entity may apply paragraphs C28B–C28E (classification overlay) for the purpose of presenting comparative information as if paragraph C29 had been applied to that asset. Such an entity shall adapt the requirements of paragraphs C28B–C28E so that the classification overlay is based on how the entity expects the financial asset would be designated applying paragraph C29 at the date of initial application of IFRS 17.