Tuesday 15 December 2020

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Non-objection to an implementing measure: International Accounting Standard 39 and International Financial Reporting Standards 4, 7, 9 and 16

European Parliament decision to raise no objections to the draft Commission regulation 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 Accounting Standard 39 and International Financial Reporting Standards 4, 7, 9 and 16 (D069602/01 — 2020/2851(RPS))

(2021/C 445/23)

The European Parliament,

— having regard to the draft Commission Regulation (D069602/01,

— 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,

— having regard to the opinion delivered on 26 October 2020 by the accounting regulatory committee referred to in Article 6(1) of Regulation (EC) No 1606/2002,

— having regard to the Commission's letter of 28 October 2020 asking Parliament to declare that it will raise no objections to the draft regulation,

— having regard to the letter from the Committee on Economic and Monetary Affairs to the Chair of the Conference of Committee Chairs of 2 December 2020,

— having regard to Article 5a of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission [2],

— having regard to Rule 112(4)(d) and Rule 111(6) of its Rules of Procedure,

— having regard to the recommendation for a decision of the Committee on Economic and Monetary Affairs,

— having regard to the fact that no objections have been raised within the period laid down in the third and fourth indents of Rule 111(6) of its Rules of Procedure, which expired on 15 December 2020,

A. whereas the International Accounting Standards Board (IASB) issued on 27 August 2020 amendments to International Accounting Standard (IAS) 39, and to International Financial Reporting Standards (IFRS) 4, 7, 9, and 16; whereas those amendments aim to provide a general relief in view of the 'phase 2' Interbank offered rate (IBOR) replacement; whereas the proposed amendments deal with the financial reporting consequences resulting from the actual replacement of the interest rate benchmark on modifications of financial instruments (value changes) and hedge accounting and prevent undesirable accounting impacts on the valuation (or de-recognition) of financial instruments and lease contracts, and the discontinuation of hedging relationships due to a regulatory-driven replacement of the benchmark rates; whereas without the proposed amendments, companies might have to recognise immediately value changes in profit or loss, or discontinue hedging relationships even though they did not change their risk management strategy; whereas the Commission urged the IASB to speed up the issuance of the proposed amendments in order for the Union to endorse the amendments in a timely manner;

B. whereas the European Financial Reporting Advisory Group (EFRAG) provided the Commission on 14 September 2020 with positive endorsement advice;

C. whereas the Commission concluded that the interpretation meets the technical criteria for adoption as required by Article 3(2) of Regulation (EC) No 1606/2002 and maintains that the proposed amendments would avoid a discontinuation of hedging relationships as a result of uncertainties related to the IBOR transition so that financial statements according to IFRS can properly depict the impact of risk management and prevent undue volatility in profit or loss;

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[1] OJ L 243, 11.9.2002, p. 1.
[2] OJ L 184, 17.7.1999, p. 23.

D. whereas the IASB set the effective date for the amendments as of 1 January 2021 with earlier application permitted; whereas financial institutions subject to IFRS and IAS accounting cannot use for their 2020 financial statements the treatment under the proposed amendments before their endorsement and publication; whereas Union companies would be placed at a disadvantage compared to their competitors in other jurisdictions if they were not in a position to make use of the relief provided by the amendments; whereas therefore the proposed amendments should be endorsed and published before the end of December 2020 in order to be applicable for financial periods starting on, after or before 1 January 2021;

1. Declares that it has no objections to the draft Commission regulation;

2. Instructs its President to forward this decision to the Commission, and, for information, to the Council.