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ACCOUNTING STANDARDS COUNCIL
SINGAPORE

28 September 2021

Dr Andreas Barckow
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

(By online submission)

Dear Andreas

RESPONSE TO EXPOSURE DRAFT ON INITIAL APPLICATION OF IFRS 17 AND IFRS 9—COMPARATIVE INFORMATION (PROPOSED AMENDMENT TO IFRS 17)

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Exposure Draft on *Initial Application of IFRS 17 and IFRS 9—Comparative Information* (Proposed amendment to IFRS 17) (the ED) issued by the International Accounting Standards Board (the IASB) in July 2021.

We appreciate the IASB's efforts in addressing the one-time issue that could arise when an entity first apply IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* (collectively, the Standards) at the same time, which could have a significant effect on the usefulness of the comparative information presented by the entity.

We are generally supportive of the proposed amendment. In our view, the proposed amendment offers a pragmatic and targeted way to address the one-time issue, whilst minimising disruption to the implementation of the Standards. It would improve the usefulness of comparative information presented on transition to IFRS 17, by enabling entities to avoid significant accounting mismatches that arise purely from the differing transition requirements in the Standards.

Nonetheless, we suggest that the IASB considers addressing the following matters:

Impairment requirements for financial assets subject to the classification overlay

We note that the ED is not clear as to whether an entity's election to apply or not apply the impairment requirements in IFRS 9 is an accounting policy decision that should be applied consistently, or is available on an instrument-by-instrument basis.

We believe that the IASB should require the former in the final amendment. In our view, permitting an instrument-by-instrument choice, when such a choice is not needed to address the one-time issue or supported by sound justification, could reduce the understandability of financial statements.

Disclosure

We note that comparability amongst entities may be reduced as a result of the optionality of the classification overlay. However, the ED merely requires an entity that has applied the classification overlay to disclose that fact. Therefore, we believe that the IASB should consider developing additional disclosures to enable users of financial statements to understand the effect on an entity's financial statements arising from the application of the classification overlay. Such disclosures could include, for example:

- For financial assets subject to the classification overlay: the changes to their classification and carrying amount resulting from the application of the classification overlay at the date of transition to IFRS 17, and if there are significant changes to their 'as-if' IFRS 9 classification on initial application of IFRS 9, the reasons for those changes.
- The amount recognised in opening retained earnings (or another component of equity) resulting from the application of the classification overlay at the date of transition to IFRS 17.

We think that such disclosures would not create additional burden on entities, because entities would have collected the information for the purpose of applying the classification overlay or IFRS 9.

We hope that our comments will contribute to the IASB's deliberation on the ED. Should you require any further clarification, please contact our project manager Yat Hwa Guan at Guan_Yat_Hwa@asc.gov.sg.

Yours faithfully

Suat Cheng Goh
Technical Director
Singapore Accounting Standards Council