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**ERICA (EUROPEAN RECORDS OF IFRS CONSOLIDATED ACCOUNTS)
WORKING GROUP**

IFRS AND OTHER IMPACTS

European Committee of Central Balance Sheet Data Offices (ECCBSO)

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I. INTRODUCTION AND SUMMARY

This document integrates all material available about the process of approval of the Standards by the IFRS Foundation and its adoption in the European Union, with information updated till September of 2022. Chapter II focuses on the recent and foreseeable changes in IFRS Accounting Standards considering the IASB legislation, Exposure Drafts and other documents to become IFRS Accounting Standards and more recent development in the EU. Chapter III offers the situation of each European country related to the implementation of IFRS Accounting Standards for non-listed groups and individual companies, showing that only Greece, Portugal, Italy and Turkey accept the use of IFRS Accounting Standards for certain individual corporations (e.g. belonging to consolidated listed groups or consolidated non-listed groups if they consolidate according with IFRS Accounting Standards). The document ends up with an annex disclosing a timetable of the projects the IASB is involved in.

II. RECENT AND FORESEEABLE CHANGES IN IFRS ACCOUNTING STANDARDS¹

II.1. IASB LEGISLATION (TO BE ENDORSED BY THE EU)

January 2020 – Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current and Non-current* and July 2020 – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Even though the initial effective application was for periods beginning on or after 1 January 2022, due to the covid-19 pandemic, the IASB has proposed to defer the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments.

In its Primary Financial Statements project, the IASB is developing proposals to improve the way information is communicated in financial statements. The IASB proposes to issue requirements in a new IFRS Standard that would replace IAS 1. In December 2019, the IASB published an exposure draft of the new Standard: General Presentation and Disclosures.

The IASB is not reviewing all aspects of IAS 1 as part of the Primary Financial Statements project. It is not reviewing the requirements for classifying assets and liabilities as current or non-current. The IASB would carry forward into the new Standard the requirements as now amended by Classification of Liabilities as Current or Non-current.

As a result of the covid-19 pandemic, the IASB deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2023.

¹ Situation at 21st September 2022.

II.2. EXPOSURE DRAFTS AND OTHER DOCUMENTS TO BECOME IFRS ACCOUNTING STANDARDS

The IASB has worked during the last year on different projects, preparing new documents (exposure drafts or discussion papers) that could become new IFRS Accounting Standards in the short/medium-term:

Contractual Cash Flows characteristics of financial assets

In September 2021, the IASB issued Request for Information Post-Implementation Review of IFRS 9—Classification and Measurement. Feedback indicated that, in general, the requirements in IFRS 9 relating to assessing the contractual cash flows of financial assets work as intended. However, aspects of the requirements could be clarified to support consistent application, for example in the case of financial assets with ESG-linked features and contractually linked instruments.

Dynamic Risk Management

The IASB developed and refined ‘core areas’ that are central to an accounting model (core model) that might enable investors to understand the effect of a company’s dynamic risk management (the most usual situation is with the repricing risk due to changes in interest rate, and to evaluate the effectiveness of that risk management). The model’s development reflects information gathered at meeting with banks that use dynamic risk management for repricing risk due to changes in interest rate.

The project was added to the standard-setting programme in May 2022, and the IASB intend to further develop the other areas of the model and work towards publishing an exposure draft.

Financial Instruments with Characteristics of Equity

The IASB aims to address common accounting challenges by clarifying some underlying principles in IAS 32 and adding application guidance to facilitate consistent application of those principles, in this particular case, to clarify the preferred approach to classification of a financial instrument, as a financial liability or an equity instrument, from an issuer’s perspective. In addition, it intends to enhance some presentation and disclosure requirements.

Climate and General Sustainability-related Disclosures

The International Sustainability Standards Board (ISSB), launched a consultation on 31 March 2022 with regard to the general sustainability-related disclosure requirements, and to the climate-related disclosure requirements.

The Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Exposure Draft) sets out the overall requirements for an entity to disclose sustainability-related financial information about all its significant sustainability-related risks and opportunities, to provide the market with a complete set of sustainability-related financial disclosures.

The Exposure Draft IFRS S2 Climate-related Disclosures (Climate Exposure Draft) builds upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and incorporates industry-based disclosure requirements derived from SASB Standards.

On finalization, these proposals would form a comprehensive global baseline of sustainability disclosures designed to meet the information needs of investors in assessing enterprise value.

The ISSB is seeking feedback on the proposals over a 120-day consultation period, closing on 29 July 2022. It will review feedback on the proposals in the second half of 2022 and aims to issue the new Standards by the end of the year, subject to the feedback.

The proposals set out requirements for the disclosure of material information about a company's significant sustainability-related risks and opportunities that is necessary for investors to assess a company's enterprise value.

A company applying the proposals in the Climate Exposure Draft would be required to provide material information about its significant climate-related risks and opportunities. The Climate Exposure Draft proposes requiring a company to disclose information that would enable an investor to assess the effect of climate-related risks and opportunities on its enterprise value.

The Climate Exposure Draft would require a company to centre its disclosures on the consideration of the governance, strategy and risk management of a business, and the metrics and targets it uses to measure, monitor and manage its significant climate-related risks and opportunities. The Exposure Draft includes a requirement for companies to disclose information about climate-related physical and transition risks and climate-related opportunities.

II.3. MORE RECENT DEVELOPMENTS IN THE EUROPEAN UNION, PROCESS OF IMPLEMENTATION OF IFRS ACCOUNTING STANDARDS²

MAIN EVENTS IN EUROPEAN UNION: RECORD OF LEGISLATION PROCESS ³
In January 2021 the EC endorsed the “ <i>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2</i> ” (issued on 27 August 2020).
In June 2021 the EC endorsed the “ <i>Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020</i> ”
In August 2021 the EC endorsed the “ <i>Amendments to IFRS 16 Leases: Covid-19 –Related Rent Concessions beyond 30 June 2021</i> ” issued on 31 March 2021.
In November 2021 the EC endorsed the “ <i>IFRS 17 Insurance Contracts</i> ” (issued on 18 May 2017); including “ <i>Amendments to IFRS 17</i> ” (issued on 25 June 2020).
In March 2022 the EC endorsed the “ <i>Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i> ” (issued on 12 February 2021).
In March 2022 the EC endorsed the “ <i>Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies</i> ” (issued on 12 February 2021).
In August 2022 the EC endorsed the “ <i>Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction</i> ” (issued on 7 May 2021)
In July 2022 , ESMA updated the RTS (Delegated Regulation (EU) 2019/815) on ESEF in order to amend the relevant Annexes of the RTS on ESEF to be aligned with the IFRS Taxonomy, including block tagging guides.
In September 2022 , the EC endorsed the “ <i>Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 - Comparative Information</i> ”

² Situation at 21st September 2022.

³ Personal compilation from: <https://www.iasplus.com/en>, https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en and <http://www.efrag.org/>.

III. SUMMARY TABLE OF ACCOUNTING LEGAL FRAMEWORK TO USE IFRS ACCOUNTING STANDARDS

CURRENT DEVELOPMENTS IN THE COUNTRY ⁴									
Concept	Austria	Belgium	France	Germany	Greece	Italy	Portugal	Spain	Turkey
1. Accounting legal framework, based on:	Ministry of Justice: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Economy: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Finance	Ministry of Justice: Civil Code	Ministry of Finance	Ministry of Justice: Commercial Code Regulation changed in line with IFRS Accounting Standards	Ministry of Trade: Commercial Code
2. Accounting bodies (public / private)	Semi-public: Austrian Financial Reporting and Auditing Committee	Public: Accounting Standard Commission (ASC)	Public: the Authority of Accounting standards (ANC)	Semi-public: German Accounting Standards Committee (DRSC)	Public: Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)	Private: Italian Accounting Body (OIC)	Semi-public: Portuguese Accounting Standards Board (CNC)	Public: Institute of Accounting and Auditing (ICAC)	Public: Public Oversight, Accounting and Auditing Standards Authority (POA)
3. Legal authorisation to use IFRS Accounting Standards instead of National GAAP									
a) Consolidated Accounts of unlisted corporations	Option to follow either IFRS Accounting Standards or Austrian GAAP (2005).	Option to follow either IFRS Accounting Standards or Belgian GAAP (2005). IFRS Accounting Standards are mandatory for all banks, insurance companies and real estate investment funds	Option to follow on a voluntary basis either IFRS Accounting Standards or French GAAP	Voluntary	It is mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities. Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)	2005 on a voluntary basis (mandatory for financial institutions)	Voluntary in the first year of adoption, but compulsory afterwards (at least 3 years)	Option to follow either IFRS Accounting Standards (since 2005) or Spanish GAAPs (since 2010 aligned with IAS/IFRS Accounting Standards updated in 2021)	Voluntary since 2013 (IFRS Accounting Standards are mandatory for Public Interest Entities as defined in EU Accounting Directive)

⁴ Situation at September 2022.

CURRENT DEVELOPMENTS IN THE COUNTRY ⁴									
Concept	Austria	Belgium	France	Germany	Greece	Italy	Portugal	Spain	Turkey
b) Individual Accounts	NO	NO (Exception: real estate investment funds ⇒ IFRS Accounting Standards obliged as from 2007)	NO	Voluntary, but only for information purpose (publication in the federal gazette)	<p>Compulsory from 2005 for listed companies. It is also mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities.</p> <p>Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)</p>	2005 on a voluntary basis (2006 mandatory for financial institutions and listed companies)	Voluntary in the first adoption, but compulsory afterwards (at least 3 years) (just for companies belonging to the scope of consolidation of a group that adopts IFRS Accounting Standards)	NO (although indirectly by applying the revised national accounting standards they are aligned to IFRS)	Voluntary

CURRENT DEVELOPMENTS IN THE COUNTRY ⁵									
Concept	Austria	Belgium	France	Germany	Greece	Italy	Portugal	Spain	Turkey
4. Possibility of using IFRS Accounting Standards									
a) Consolidated accounts of unlisted corporations	YES Option to use IAS/IFRS Accounting Standards or Austrian GAAP	From 2005 on a voluntary basis	From 2005, on a voluntary basis	From 2005, without authorisation on a voluntary basis	It is mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities. Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)	From 2005 on a voluntary basis	On a voluntary basis	YES Option to use IAS / IFRS Accounting Standards or Spanish GAAP	YES Option to use Turkish Financial Reporting Standards (100% IFRS compliant) or BOBI FRS (100% IFRS for SMEs compliant)

⁵ Situation at September 2022.

CURRENT DEVELOPMENTS IN THE COUNTRY ⁵									
Concept	Austria	Belgium	France	Germany	Greece	Italy	Portugal	Spain	Turkey
b) Individual accounts	YES (without authorisation on a voluntary basis)	Indirectly through the revision of Belgian accounting law (Exception: real estate investment funds (IFRS Accounting Standards obliged as from 2007))	Selective convergence of French GAAP: new rules applicable from 2005	See above	<p>Compulsory from 2005 for listed companies. It is also mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities.</p> <p>Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)</p>	Yes in the individual accounts of listed companies; for the rest, very infrequent; forbidden for SME	<p>Selective convergence of Portuguese GAAP: new rules compliant with IFRS Accounting Standards are being published. There is an exception regarding goodwill. Portuguese GAAP followed IFRS on this matter until 2015. According to Portuguese GAAP, from 2016 on, companies are required to define the goodwill's operating life and apply consistent amortizations, instead of applying impairment tests.</p>	Indirectly, through the revised 2021 Accounting Plan (since 2008). Several National GAAPs do not fully align with latest IFRS Accounting Standards: Goodwill Amortization, and finally, leases (IFRS 16))	<p>YES</p> <p>Option to use Turkish Financial Reporting Standards (100% IFRS compliant) or BOBI FRS (100% IFRS for SMEs compliant)</p>

ANNEX - IASB PROJECTS (WORK PLAN UPDATED 21/09/22)⁶

RESEARCH PROJECT		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Extractive Activities (IFRS 6)	Decide Project Direction	September 2022
Goodwill and Impairment (IFRS 3, IAS 36)	Decide Project Direction	November 2022
Equity Method (IAS 28)	Decide Project Direction	Non Available
Post-implementation Review of IFRS 9 (Classification, Measurement)	Feedback Statement	Q4 2022
Post-implementation Review of IFRS 9 (Impairment)	Request for Information	H1 2023
Post-Implementation Review of IFRS 15 Revenues from contracts with customers	Request for Information	
Business Combinations under Common Control (IFRS 3)	Decide Project Direction	Non Available
STANDARD-SETTING PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Management Commentary (Practice Statement 1)	Decide Project Direction	Non Available
Dynamic Risk Management	Exposure Draft	Non Available
General Sustainability – related disclosures	Exposure Draft Feedback	December 2022
Climate-related Disclosures	Exposure Draft Feedback	December 2022
Financial Instruments with Characteristics of Equity (Conceptual Framework, IAS 32, IFRS 9)	Exposure Draft	Non Available
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	IFRS Standard	Non Available
Disclosure Initiative—Targeted Standards-level Review of Disclosures (IAS 1, IAS 19, IFRS 13)	Decide Project Direction	October 2022
Primary Financial Statements (IAS 1 / IAS 7)	IFRS Standard	Non Available
Second Comprehensive Review of the IFRS for SMEs Standard (IFRS for SMEs)	Exposure Draft Feedback	H1 2023
Rate-regulated Activities (IFRS 14)	IFRS Standard	Non Available
MAINTENANCE PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Supplier Finance Arrangement (IAS 7/IFRS 7)	Decide Project Direction	November 2022
Non-Current Liabilities with Covenants (IAS 1)	IFRS Standard Amendment	November 2022
Lack of Exchangeability (Amendments to IAS 21)	Decide Project Direction	Non Available
Lease Liability in a Sale and Leaseback (IFRS 16)	IFRS Accounting Standard Amendment	September 2022
Provisions—Targeted Improvements (IAS 37, IFRIC 21, Conceptual Framework)	Decide Project Direction	Non Available
Contractual Cash Flows with Characteristics of Financial Assets (Amendments to IFRS 9)	Exposure Draft	Non Available
OTHER PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)	Agenda Decision Feedback on Staff Request for Feedback (Open for comment until 30/09/2022)	September 2022
IFRS Sustainability Disclosure Taxonomy		November 2022

⁶ The information in this table is based on <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx> at 21st September 2022.

<p>IFRS taxonomy Update (2022 General Improvements and Common Practice) ISSB Consultation on Agenda Priorities Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16) Special Purpose Acquisition Companies (SPAC): Accounting for warrants at acquisition (IFRS 3, IFRS 2, IAS 32) Multicurrency groups of Insurance Contracts (IFRS 17 and IAS 21)</p>	<p>Proposed IFRS Taxonomy Update Request for Information Tentative Agenda Decision Feedback Agenda Decision Tentative Agenda Decision Feedback</p>	<p>Non Available Q4 2022 October 2022 October 2022 September 2022</p>
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