IFRS adopted by the European Union

IFRS standards and amendments issued by the IASB and endorsed by the EU as at 30 June 2022

July 2022

1. The European endorsement mechanism for IFRSs

In July 2002, the European Parliament adopted Regulation No. 1606/2002 which required publicly traded EU incorporated companies to prepare, by 2005 at the latest, their consolidated financial statements under IFRS 'adopted' for application within the EU. This Regulation established the basic rules for the creation of an endorsement mechanism for the adoption of IFRS, the timetable for implementation and a review clause to permit an assessment of the overall approach proposed. The European Commission (the Commission) took the view that an endorsement mechanism was needed to provide the necessary public oversight. The Commission also considered that it was not appropriate, politically, or legally, to delegate accounting standard-setting unconditionally and irrevocably to a private organisation over which the Commission had no influence. In addition, the endorsement mechanism is responsible for examining whether the standards adopted by the International Accounting Standards Board (IASB) satisfy relevant EU public policy criteria.

The role of the endorsement mechanism is not to reformulate or replace IFRS, but to oversee the adoption of new standards and interpretations, intervening only when they contain material deficiencies or have failed to cater for features specific to the EU economic or legal environments. The central task of this mechanism is to confirm that IFRS provides a suitable basis for financial reporting by listed EU companies. The mechanism is based on a two-tier structure, combining a regulatory level with an expert level, to assist the Commission in its endorsement role. The following describes each individual step of the endorsement process:

1. The IASB adopts a new standard, an amendment to an existing standard, or an interpretation of a standard
2. The European Financial Reporting Advisory Group (EFRAG) provides its advice to the Commission on endorsement
3. If the Commission decides to endorse the new standard, interpretation, or amendment, it prepares a draft regulation and submits it to the Accounting Regulatory Committee of representatives of EU Member States (ARC)
4. If the ARC's opinion is positive, the Commission submits the draft regulation to the European Parliament and the Council of Europe for a 3-month scrutiny period
5. If there are no objections from the European Parliament or the Council of Europe, the Commission adopts the endorsing regulation.

2. Published International Financial Reporting Standards

The table below provides an overview of the status of the European Union (EU) endorsement process of IFRS standards, interpretations and amendments issued by the IASB as at 30 June 2022, with an EU effective date on or after 1 January 2022. Information related to EU endorsement has been updated as at 30 June 2022 with the latest official EFRAG endorsement status report being available as at 2 May 2022.

Some standards and amendments are adopted by the EU with an effective date later than that established by the IASB. Therefore, the effective date of application in the EU is separately listed in the table below:

IASB			EU		
				EU adoption	
Standard / interpretation	Amendments	Effective date	Effective date	Regulation as of	Published on
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	*Annual Improvements to IFRSs 2018-2020 Cycle:* Subsidiary as a First-Time Adopter	1 January 2022	1 January 2022	28 June 2021	2 July 2021
IFRS 3 *Business Combinations*	Reference to the Conceptual Framework	1 January 2022	1 January 2022	28 June 2021	2 July 2021
IFRS 9 *Financial Instruments*	*Annual Improvements to IFRSs 2018-2020 Cycle:* Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022	1 January 2022	28 June 2021	2 July 2021
IFRS 10 *Consolidated Financial Statements*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	Postponed	Open	Open
IFRS 17 *Insurance Contracts including Amendments to IFRS 17*	Amendments to IFRS 17	1 January 2023	1 January 2023	19 November 2021	23 November 2021
	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023	Open	Open	Open
IAS 1 *Presentation of Financial Statements*	Classification of Liabilities as Current or Non-current	1 January 2023	Open	Open	Open
	Disclosure of Accounting policies	1 January 2023	1 January 2023	2 March 2022	3 March 2022
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	Definition of Accounting Estimates	1 January 2023	1 January 2023	2 March 2022	3 March 2022

IASB			EU		
			EU adoption		
Standard / interpretation	Amendments	Effective date	Effective date	Regulation as of	Published on
IAS 12 *Income Taxes*	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Open	Open	Open
IAS 16 *Property, Plant and Equipment*	Proceeds before Intended Use	1 January 2022	1 January 2022	28 June 2021	2 July 2021
IAS 28 *Investments in Associates and Joint Ventures*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	Postponed	Postponed	Postponed
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	1 January 2022	28 June 2021	2 July 2021
IAS 41 *Agriculture*	*Annual Improvements to IFRSs 2018-2020 Cycle:* Taxation in Fair Value Measurements	1 January 2022	1 January 2022	28 June 2021	2 July 2021

3. Status of standards, interpretations, or amendments in the endorsement process

The table in this section reflects a summary of standards, interpretations and amendments still being considered for endorsement by the EU. Most of those standards, interpretations and amendments have an IASB-effective date on or after 1 January 2022 and are therefore also included in the table above in section 2. However, the EU endorsement process is only completed when the standard, interpretation or amendment is published in the Official Journal of the European Union. The advice from EFRAG and the vote by the ARC are not sufficient to adopt a standard, interpretation, or an amendment.

The following IASB documents were still being considered for endorsement as of 2 May 2022 (date of the latest official EFRAG endorsement status report being available):

IASB		EU		
Standard/interpretation/amendment	IASB-effective date	EFRAG endorsement advice	ARC vote	Expected adoption
IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014)	1 January 2016	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.	Not applicable	Not applicable
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014)	Deferred indefinitely	Postponed	Open	Open
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* and *Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (issued on 23 January 2020 and 15 July 2020 respectively)	1 January 2023	Open	Open	Open
Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021)	1 January 2023	30 November 2021	24 March 2022	Open
Amendments to IFRS 17 *Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (issued on 9 December 2021)	1 January 2023	31 January 2022	20 April 2022	Open

4. Standards with exceptions or amendments resulting from the endorsement process

All IASB/IFRS Interpretations Committee documents not shown in the table above have been endorsed, except for certain IAS 39 *Financial Instruments: Recognition and Measurement* hedge accounting requirements that have not been endorsed. In October 2004, a qualified majority of Member States in the ARC believed the Commission should adopt IAS 39 with two "carve outs". The European Parliament also supported this solution. Therefore, in November 2004, the Commission adopted a Commission Regulation endorsing IAS 39 *Financial Instruments: Recognition and Measurement*, except for certain provisions on the use of the full fair value option and on hedge accounting. This referred to the provisions relating to hedge accounting that prevent the application of hedge accounting to a portfolio of core deposits, and the provisions that assimilate a prepayment risk to an interest rate risk. The Commission did not replace any of the provisions contained in the standard, nor did it add anything; it simply removed, or carved out, certain provisions. The two issues were carved out because the Commission considered that the related provisions were not yet suitable for adoption and required further revision.[1] In November 2005, the Commission endorsed the amended version of IAS 39 *Financial Instruments*: *Recognition and Measurement – the Fair Value Option* with a restricted fair value option. The second carve-out relating to certain hedge accounting provisions is still effective.

With respect to IAS 27 *Separate Financial Statements*, note that in February 2007, the Commission issued two interpretations that address the conflict between the requirements of IAS 27 and the 4th Company Law Directive (78/660/EEC; the 4th Directive) and 7th Company Law Directive (83/349/EEC; the 7th Directive).[2] The first interpretation states that the Commission Services are of the opinion that a parent company always has to prepare annual accounts as defined by the 4th Directive. Where, under the 7th Directive, a parent company is exempt from preparing consolidated accounts, but chooses, or is required, to prepare its annual accounts in accordance with IFRS as adopted by the EU, the provisions in the then extant IAS 27 *Consolidated and Separate Financial Statements* (now superseded by IFRS 10 *Consolidated Financial Statements*) setting out the requirement to prepare consolidated accounts do not apply. Such annual accounts are described as having been prepared in accordance with IFRS as adopted by the EU. The second interpretation states that the Commission Services are of the opinion that, if a company chooses, or is required, to prepare its annual accounts in accordance with IFRS as adopted by the EU, it can prepare and file them independently from the preparation and filing of its consolidated accounts and, thus, in advance, where the national law transposing the 4th and 7th Directives requires or permits separate publication.

Regarding the July 2014 version of IFRS 9, the October 2017 amendments to IFRS 9 and, the amendments to IFRS 4 – *Insurance Contracts* – delaying the application of IFRS 9 for certain insurers until 2021, the European Commission considered that the amendments are not sufficiently broad in scope to meet the needs of all significant insurance entities in the European Union. Consequently, for those entities that prepare financial statements in accordance with IFRS as adopted by the EU, the following modification applies:

'A financial conglomerate as defined in Article 2(14) of Directive 2002/87/EC may elect that none of its entities operating in the insurance sector within the meaning of Article 2(8)(b) of that Directive apply IFRS 9 in the consolidated financial statements for financial years the commencement of which precedes 1 January 2021 where all of the following conditions are met:

(a) No financial instruments are transferred between the insurance sector and any other sector of the financial conglomerate after 29 November 2017 other than financial instruments that are measured at fair value with changes in fair value recognised through the profit or loss account by both sectors involved in such transfers;

(b) The financial conglomerate states in the consolidated financial statements which insurance entities in the group are applying IAS 39;

[1] Please refer for further information to: https://ec.europa.eu/commission/presscorner/detail/en/MEMO_04_265.

[2] Please refer to the agenda paper for the meeting of the Accounting Regulatory Committee on 24 November 2006 (Document ARC/19/2006) and to the agenda paper for the meeting of the Accounting Regulatory Committee on 2 February 2007 (Document ARC/8/2007).

(c) Disclosures required by IFRS 7 – *Financial Instruments: Disclosures* – are provided separately for the insurance sector applying IAS 39 and for the rest of the group applying IFRS 9'.[3]

The purpose of (a) above is to prevent a group transferring financial instruments between different 'sectors' (i.e., between insurance and non-insurance subsidiaries) with the purpose of either avoiding measurement of those financial instruments at fair value through profit or loss in the group financial statements or recognising previously unrecognised fair value gains or losses in profit or loss.

Based on IAS 1.16, a financial conglomerate (as defined above) which takes advantage of this 'top-up' to use a mixed IFRS 9/IAS 39 measurement model for financial instruments in its consolidated financial statements must not make an explicit and unreserved statement that those consolidated financial statements comply with IFRS as issued by the IASB. The amendment to IFRS 4 regarding the deferral of IFRS to 2021 was endorsed for use in the European Union, including the 'top up' described above. In June 2020, the IASB issued another amendment to IFRS 4 deferring the mandatory application of IFRS 9 for certain insurers to 2023. In December 2020, the 2020 amendments to IFRS 4 regarding the deferral of IFRS 9 were endorsed for use in the EU, again including this 'top up'.

In November 2021, IFRS 17 *Insurance Contracts* and the 2020 amendments to IFRS 17 were endorsed for use in the EU. The respective regulation includes an optional exemption from the requirement to apply annual cohorts to intergenerationally-mutualised and cash flow matched contracts. This exemption was included as the European Commission believed the annual cohort requirement as a unit of account for groups of insurance and investment contracts does not always reflect the business model, nor the legal and contractual features of certain intergenerationally-mutualised and cash flow matched contracts. Those contracts represent more than 70% of the total life insurance liabilities in the EU. According to the European Commission, the annual cohort requirement applied to such contracts does not always have a favourable cost-benefit balance. Therefore, EU entities should have the option to exempt intergenerationally-mutualised and cash flow matched contracts from the annual cohort requirement in IFRS 17. Entities making use of the exemption in their consolidated financial statements must not make an explicit and unreserved statement that those consolidated financial statements comply with IFRS, as issued by the IASB and need to disclose the fact that they have made use of the exemption.[4]

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[3] Commission Regulation (EU) 2017/1988 of 3 November 2017 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 in respect of International Financial Reporting Standard 4, Official Journal of the European Union, 9 November 2017.

[4] Commission Regulation (EU) 2021/2036, 19 November 2021, which amends Regulation (EC) No 1126/2008 regarding the adoption of certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and the European Council in respect of International Financial Reporting Standard 17 *Insurance Contracts*.

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