

# CEIOPS

Committee of European Insurance and Occupational Pensions Supervisors

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Dear Mr. Enevoldsen,

**Re: CEIOPS Comments on EFRAG Letter on the adoption of the amended IAS 39  
*Financial Instruments Recognition and Measurement***

On behalf of CEIOPS, I am pleased to provide you with some comments about the EFRAG letter on the adoption of the amended IAS 39 *Financial Instruments Recognition and Measurement*.

The following comments regard the main areas of concern shared by EU Insurance Supervisors. According to the specific situation in each jurisdiction, some of them might provide additional comments in relation to issues particularly relevant to their own market and regulation.

Generally speaking insurance supervisors are in favour of the ongoing EU accounting strategy based on the introduction of high-quality international accounting standards. Appropriate accounting standards, consistently applied at the EU level, represent an essential condition in building a strong European financial market.

The adoption of IAS 39 is a very important step in this process, due to the great influence it will have on the financial statements of financial institutions. As also acknowledged by EFRAG, it is also a complex and contentious matter, due to the gap between traditional

accounting techniques based on historical cost and the fair value measurements that underlie market transactions.

Therefore, insurance supervisors would like to express their concerns regarding the fact that the EFRAG letter on the adoption of IAS 39 lacks reference to the specific issues related to the insurance sector, and in particular to the “mismatch issue”.

In its letter to the European Commission on the adoption of IFRS 4, EFRAG itself recognised that some critical areas related to that standard and to its interrelations with IAS 39 had still to be addressed satisfactory; EFRAG also underlined that it would have been profitable to see those issues addressed on a coordinated basis with the IASB’s further work on financial instruments, that has just started with the creation of two working subgroups on the application of IAS 39 and IFRS 4.

Therefore, insurance supervisors believe that the EFRAG letter of comments on IAS 39 should also make an explicit reference to the issues related to the insurance sector that have not yet found a satisfactory solution.

It is also worth to underline that the EFRAG letter of comments makes reference to issues mainly related to the banking sector, but that those issues might anyway arise in the near future in relation with other financial institutions, such as insurance undertakings.

Apart from the aforementioned general considerations, insurance supervisors do not share the same opinions on the adoption of IAS 39: the major part of supervisors are in favour of the adoption of IAS 39, also in the light of the consequences of the non adoption of a standard for the recognition and measurement of financial assets and liabilities.


On the other hand, some other supervisors believe that the lack of satisfactory solution of important issues like the “mismatch issue” could undermine the understandability and comparability of the financial statement of insurance undertakings. Consequently, they do not favour the full endorsement of the standard.

In the light of the aforementioned considerations, insurance supervisors would like the EFRAG letter to be completed in order to deal with insurance issues.

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Should you wish to have any further clarification on CEIOPS’s advice or to discuss the proposed issues more in-depth, please do not hesitate to contact Mr. Fausto Parente at the following e-mail address [fausto.parente@isvap.it](mailto:fausto.parente@isvap.it) or by phone at +39-06-42.133.481.

Yours sincerely,

  
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