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Our ref : RJ-EFRAG 586 A
Direct dial : 0031-20-3010391
Date : Amsterdam, 23 May 2018
Re : Discussion Paper DP *Equity Instruments – Impairment and Recycling*

Dear Andrew,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to comment on the Discussion Paper (DP) 'Equity Instruments – Impairment and Recycling'.

We have studied the DP, considered the scope and objectives of the DP and have discussed the 'Questions to constitutions' as included. Hereafter we set out our general response to the DP. We acknowledge that there are several key dilemmas, which play into this topic area. We are therefore of the opinion that it is not possible to answer the detailed questions of EFRAG without first addressing these key dilemmas.

The issue described by the EFRAG is that IFRS 9 requirements could lead to a change in asset allocation decisions. From the data collected by EFRAG, mainly insurance companies indicated they might change their asset allocation decisions. We observe that, even though the issue is not an industry specific issue, it does occur mainly in the insurance industry, where IFRS 9 will only be implemented in combination with accounting for insurance contracts in line with IFRS 17.

We believe the root cause of the issue should be identified first and it should be identified whether, and if so, how the interplay between accounting of insurance contracts and equity investments create a problem. We do not suggest IFRS 17 should be changed rather it should be further understood what exactly the issue is before a solution can be suggested. At this point, we do not oversee the issue in full and do not have any new model, which would serve as a solution.

A. Therefore, a dilemma is whether a problem affecting some reporters (i.e. insurers) should be solved by changing a model applicable to all reporters. In the Netherlands, companies who have implemented IFRS 9 (mainly banks) did not significantly change their asset allocation for equity investments due to the transition to IFRS 9.

B. If an impairment model needs to be developed a key dilemma is whether it is possible to develop (a) a simple model which is not subjective but increases volatility or (b) a complex model reducing volatility but with increased subjectivity.
C. To come to an answer to the questions asked in the DP we believe it is necessary to articulate a fundamental view on the role of Other Comprehensive Income and recycling. The answer to this question is in the project on performance reporting that has not yet delivered a satisfactory conclusion.

Without providing an answer to each detailed question of EFRAG, please find our general comments as follows:

- A recycling model cannot exist without some form of an impairment model.
- If an impairment model is used the triggers should be sufficiently clear in the standard itself, in order to avoid unnecessary subjectivity.
- Any reversal of an impairment should be symmetrical to initial recognition of an impairment. If an entity is able to determine impairments on equity instruments, it could use the same method to determine the reversal.
- Additional disclosures cannot remedy shortcomings in the recognition and measurement model.

As a final point we want to stress that any amendment to the recycling and impairment of equity investments must be dealt with through the requirements in IFRS as issued by the IASB. We would not support alternative accounting requirements set by the EU.

If you have any questions please do not hesitate to contact me.

Yours sincerely,

prof. dr. Peter Sampers
Chairman Dutch Accounting Standards Board