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 as regards International Financial Reporting Standard 4

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards ([1]), and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008 ([2]) certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) On 12 September 2016, the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 4, Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* ('amendments to IFRS 4'). The amendments to IFRS 4 aim to address the temporary accounting consequences of the different effective dates of IFRS 9 and the new standard for insurance contracts replacing IFRS 4 (IFRS 17).

(3) The objective of IFRS 9 is to improve the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 responds to the G20's call to move to a more forward-looking model for the recognition of expected losses on financial assets.

(4) The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report under the existing standard, International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. The amendments to IFRS 4 also permit entities that issue insurance contracts to remove from profit or loss some of the additional accounting mismatches and temporary volatility that could occur when applying IFRS 9 before IFRS 17 is implemented.

(5) Following consultations with the European Financial Reporting Advisory Group, the Commission concludes that the amendments to IFRS 4 meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(6) The Commission, however, considers that the amendments to IFRS 4 are not sufficiently broad in scope to meet the needs of all significant insurance entities in Union. In particular, the insurance sector within a financial conglomerate would not be eligible to defer the application of IFRS 9, which could put them at a competitive disadvantage. Therefore, the insurance sector of a financial conglomerate falling within the scope of Directive 2002/87/EC of the European Parliament and of the Council ([3]) should be allowed to defer the application of IFRS 9 until 1 January 2021.

(7) A deferral of the application of IFRS 9 by the insurance sector in a conglomerate would mean the application of two different accounting standards within one financial conglomerate which could create opportunities for accounting arbitrage as well as possibly lead to difficulties for investors in understanding the consolidated financial statements. Therefore, such a deferral should be subject to certain conditions. To prevent the group transferring financial instruments between sectors in order to benefit from a more favourable accounting treatment, a temporary prohibition on transfer of financial instruments, other than financial instruments that are measured at fair value with changes in fair values through profit and loss, should apply. Only transfers of

([1]) OJ L 243, 11.9.2002, p. 1.

([2]) Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1).

([3]) Directive 2002/87/EC of the European Parliament and Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council (OJ L 35, 11.2.2003, p. 1).

financial instruments that qualify for de-recognition from the accounts of the transferring entity should be subject to the prohibition of transfer. Financial instruments issued by an entity of the group should not be subject to this prohibition because intra-group holdings of financial instruments are eliminated in the consolidated accounts of the conglomerate.

(8) The deferral of the application of IFRS 9 is consistent in its approach with IFRS 4 which permits insurance groups to consolidate subsidiaries without conforming the measurement of insurance liabilities from subsidiaries' local generally accepted accounting policies to the accounting policies used by the rest of the group. While the use of non-uniform accounting policies may reduce the understandibility of the financial statements, users of the financial statements will already be familiar with the financial reporting under IAS 39 and the deferral is only for a limited period of time. The conditions for use of the deferral should also mitigate any such concerns.

(9) The deferral of the application of IFRS 9 for the insurance sector within a financial conglomerate should be limited in time because it is important that the improvements introduced by IFRS 9 become effective as soon as possible and IFRS 17 will have an effective date of application of 1 January 2021.

(10) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(11) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

In the Annex to Regulation (EC) No 1126/2008, International Financial Reporting Standard (IFRS) 4 *Insurance Contracts* is amended as set out in the Annex to this Regulation.

Article 2

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;

(c) disclosures requested by IFRS 7 are provided separately for the insurance sector applying IAS 39 and for the rest of the group applying IFRS 9.

Article 3

1. Each company shall apply the amendments referred to in Article 1 as from the commencement date of its first financial year starting on or after 1 January 2018.

2. However, a financial conglomerate may choose to apply the amendments referred to in Article 1 subject to the conditions laid down in Article 2 as from the commencement date of its first financial year starting on or after 1 January 2018.

Article 4

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 3 November 2017.

For the Commission

The President

Jean-Claude JUNCKER

ANNEX

Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

(Amendments to IFRS 4)

Amendments to

IFRS 4 *Insurance Contracts*

Paragraph 3 is amended.

SCOPE

…

3. This IFRS does not address other aspects of accounting by insurers, such as accounting for financial assets held by insurers and financial liabilities issued by insurers (see IAS 32 *Financial Instruments: Presentation*, IFRS 7 and IFRS 9 *Financial Instruments*), except:

(a) paragraph 20A permits insurers that meet specified criteria to apply a temporary exemption from IFRS 9;

(b) paragraph 35B permits insurers to apply the overlay approach to designated financial assets; and

(c) paragraph 45 permits insurers to reclassify in specified circumstances some or all of their financial assets so that the assets are measured at fair value through profit or loss.

…

Paragraph 5 is amended.

…

5. For ease of reference, this IFRS describes any entity that issues an insurance contract as an insurer, whether or not the issuer is regarded as an insurer for legal or supervisory purposes. All references in paragraphs 3(a)–3(b), 20A–20Q, 35B–35N, 39B–39M and 46–49 to an insurer shall be read as also referring to an issuer of a financial instrument that contains a discretionary participation feature.

…

New headings are added below paragraphs 20, 20K and 20N. New paragraphs 20A–20Q are added.

RECOGNITION AND MEASUREMENT

…

Temporary exemption from IFRS 9

20A IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. However, for an insurer that meets the criteria in paragraph 20B, this IFRS provides a temporary exemption that permits, but does not require, the insurer to apply IAS 39 *Financial Instruments: Recognition and Measurement* rather than IFRS 9 for annual periods beginning before 1 January 2021. An insurer that applies the temporary exemption from IFRS 9 shall:

(a) use the requirements in IFRS 9 that are necessary to provide the disclosures required in paragraphs 39B–39J of this IFRS; and

(b) apply all other applicable IFRSs to its financial instruments, except as described in paragraphs 20A–20Q, 39B–39J and 46–47 of this IFRS.

20B An insurer may apply the temporary exemption from IFRS 9 if, and only if:

(a) it has not previously applied any version of IFRS 9 (1)**, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5–B5.7.20 of IFRS 9; and**

(b) its activities are predominantly connected with insurance, as described in paragraph 20D, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date as specified in paragraph 20G.

20C An insurer applying the temporary exemption from IFRS 9 is permitted to elect to apply only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5–B5.7.20 of IFRS 9. If an insurer elects to apply those requirements, it shall apply the relevant transition provisions in IFRS 9, disclose the fact that it has applied those requirements and provide on an ongoing basis the related disclosures set out in paragraphs 10–11 of IFRS 7 (as amended by IFRS 9 (2010)).

20D An insurer's activities are predominantly connected with insurance if, and only if:

(a) the carrying amount of its liabilities arising from contracts within the scope of this IFRS, which includes any deposit components or embedded derivatives unbundled from insurance contracts applying paragraphs 7–12 of this IFRS, is significant compared to the total carrying amount of all its liabilities; and

(b) the percentage of the total carrying amount of its liabilities connected with insurance (see paragraph 20E) relative to the total carrying amount of all its liabilities is:

(i) greater than 90 per cent; or

(ii) less than or equal to 90 per cent but greater than 80 per cent, and the insurer does not engage in a significant activity unconnected with insurance (see paragraph 20F).

20E For the purposes of applying paragraph 20D(b), liabilities connected with insurance comprise:

(a) liabilities arising from contracts within the scope of this IFRS, as described in paragraph 20D(a);

(b) non-derivative investment contract liabilities measured at fair value through profit or loss applying IAS 39 (including those designated as at fair value through profit or loss to which the insurer has applied the requirements in IFRS 9 for the presentation of gains and losses (see paragraphs 20B(a) and 20C)); and

(c) liabilities that arise because the insurer issues, or fulfils obligations arising from, the contracts in (a) and (b). Examples of such liabilities include derivatives used to mitigate risks arising from those contracts and from the assets backing those contracts, relevant tax liabilities such as the deferred tax liabilities for taxable temporary differences on liabilities arising from those contracts, and debt instruments issued that are included in the insurer's regulatory capital.

20F In assessing whether it engages in a significant activity unconnected with insurance for the purposes of applying paragraph 20D(b)(ii), an insurer shall consider:

(a) only those activities from which it may earn income and incur expenses; and

(b) quantitative or qualitative factors (or both), including publicly available information such as the industry classification that users of financial statements apply to the insurer.

20G Paragraph 20B(b) requires an entity to assess whether it qualifies for the temporary exemption from IFRS 9 at its annual reporting date that immediately precedes 1 April 2016. After that date:

(a) an entity that previously qualified for the temporary exemption from IFRS 9 shall reassess whether its activities are predominantly connected with insurance at a subsequent annual reporting date if, and only if, there was a change in the entity's activities, as described in paragraphs 20H–20I, during the annual period that ended on that date.

(1) The Board issued successive versions of IFRS 9 in 2009, 2010, 2013 and 2014.

(b) an entity that previously did not qualify for the temporary exemption from IFRS 9 is permitted to reassess whether its activities are predominantly connected with insurance at a subsequent annual reporting date before 31 December 2018 if, and only if, there was a change in the entity's activities, as described in paragraphs 20H–20I, during the annual period that ended on that date.

20H For the purposes of applying paragraph 20G, a change in an entity's activities is a change that:

(a) is determined by the entity's senior management as a result of external or internal changes;

(b) is significant to the entity's operations; and

(c) is demonstrable to external parties.

Accordingly, such a change occurs only when the entity begins or ceases to perform an activity that is significant to its operations or significantly changes the magnitude of one of its activities; for example, when the entity has acquired, disposed of or terminated a business line.

20I A change in an entity's activities, as described in paragraph 20H, is expected to be very infrequent. The following are not changes in an entity's activities for the purposes of applying paragraph 20G:

(a) a change in the entity's funding structure that in itself does not affect the activities from which the entity earns income and incurs expenses.

(b) the entity's plan to sell a business line, even if the assets and liabilities are classified as held for sale applying IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. A plan to sell a business line could change the entity's activities and give rise to a reassessment in the future but has yet to affect the liabilities recognised on its statement of financial position.

20J If an entity no longer qualifies for the temporary exemption from IFRS 9 as a result of a reassessment (see paragraph 20G(a)), then the entity is permitted to continue to apply the temporary exemption from IFRS 9 only until the end of the annual period that began immediately after that reassessment. Nevertheless, the entity must apply IFRS 9 for annual periods beginning on or after 1 January 2021. For example, if an entity determines that it no longer qualifies for the temporary exemption from IFRS 9 applying paragraph 20G(a) on 31 December 2018 (the end of its annual period), then the entity is permitted to continue to apply the temporary exemption from IFRS 9 only until 31 December 2019.

20K An insurer that previously elected to apply the temporary exemption from IFRS 9 may at the beginning of any subsequent annual period irrevocably elect to apply IFRS 9.

First-time adopter

20L A first-time adopter, as defined in IFRS 1 *First-time Adoption of International Financial Reporting Standards*, may apply the temporary exemption from IFRS 9 described in paragraph 20A if, and only if, it meets the criteria described in paragraph 20B. In applying paragraph 20B(b), the first-time adopter shall use the carrying amounts determined applying IFRSs at the date specified in that paragraph.

20M IFRS 1 contains requirements and exemptions applicable to a first-time adopter. Those requirements and exemptions (for example, paragraphs D16–D17 of IFRS 1) do not override the requirements in paragraphs 20A–20Q and 39B–39J of this IFRS. For example, the requirements and exemptions in IFRS 1 do not override the requirement that a first-time adopter must meet the criteria specified in paragraph 20L to apply the temporary exemption from IFRS 9.

20N A first-time adopter that discloses the information required by paragraphs 39B–39J shall use the requirements and exemptions in IFRS 1 that are relevant to making the assessments required for those disclosures.

Temporary exemption from specific requirements in IAS 28

20O Paragraphs 35–36 of IAS 28 *Investments in Associates and Joint Ventures* require an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before 1 January 2021, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows:

(a) the entity applies IFRS 9 but the associate or joint venture applies the temporary exemption from IFRS 9; or

(b) the entity applies the temporary exemption from IFRS 9 but the associate or joint venture applies IFRS 9.

20P When an entity uses the equity method to account for its investment in an associate or joint venture:

(a) if IFRS 9 was previously applied in the financial statements used to apply the equity method to that associate or joint venture (after reflecting any adjustments made by the entity), then IFRS 9 shall continue to be applied.

(b) if the temporary exemption from IFRS 9 was previously applied in the financial statements used to apply the equity method to that associate or joint venture (after reflecting any adjustments made by the entity), then IFRS 9 may be subsequently applied.

20Q An entity may apply paragraphs 20O and 20P(b) separately for each associate or joint venture.

New paragraphs 35A–35N, 39B–39M and 46–49 are added. New headings are added below paragraphs 35A, 35K, 35M, 39A, 39J, 45 and 47.

Discretionary participation features in financial instruments

…

35A The temporary exemptions in paragraphs 20A, 20L and 20O and the overlay approach in paragraph 35B are also available to an issuer of a financial instrument that contains a discretionary participation feature. Accordingly, all references in paragraphs 3(a)–3(b), 20A–20Q, 35B–35N, 39B–39M and 46–49 to an insurer shall be read as also referring to an issuer of a financial instrument that contains a discretionary participation feature.

PRESENTATION

The overlay approach

35B An insurer is permitted, but not required, to apply the overlay approach to designated financial assets. An insurer that applies the overlay approach shall:

(a) reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if the insurer had applied IAS 39 to the designated financial assets. Accordingly, the amount reclassified is equal to the difference between:

(i) the amount reported in profit or loss for the designated financial assets applying IFRS 9; and

(ii) the amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied IAS 39.

(b) apply all other applicable IFRSs to its financial instruments, except as described in paragraphs 35B–35N, 39K–39M and 48–49 of this IFRS.

35C An insurer may elect to apply the overlay approach described in paragraph 35B only when it first applies IFRS 9, including when it first applies IFRS 9 after previously applying:

(a) the temporary exemption from IFRS 9 described in paragraph 20A; or

(b) only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5–B5.7.20 of IFRS 9.

35D An insurer shall present the amount reclassified between profit or loss and other comprehensive income applying the overlay approach:

(a) in profit or loss as a separate line item; and

(b) in other comprehensive income as a separate component of other comprehensive income.

35E A financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

(a) it is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and

(b) it is not held in respect of an activity that is unconnected with contracts within the scope of this IFRS. Examples of financial assets that would not be eligible for the overlay approach are those assets held in respect of banking activities or financial assets held in funds relating to investment contracts that are outside the scope of this IFRS.

35F An insurer may designate an eligible financial asset for the overlay approach when it elects to apply the overlay approach (see paragraph 35C). Subsequently, it may designate an eligible financial asset for the overlay approach when, and only when:

(a) that asset is initially recognised; or

(b) that asset newly meets the criterion in paragraph 35E(b) having previously not met that criterion.

35G An insurer is permitted to designate eligible financial assets for the overlay approach applying paragraph 35F on an instrument-by-instrument basis.

35H When relevant, for the purposes of applying the overlay approach to a newly designated financial asset applying paragraph 35F(b):

(a) its fair value at the date of designation shall be its new amortised cost carrying amount; and

(b) the effective interest rate shall be determined based on its fair value at the date of designation.

35I An entity shall continue to apply the overlay approach to a designated financial asset until that financial asset is derecognised. However, an entity:

(a) shall de-designate a financial asset when the financial asset no longer meets the criterion in paragraph 35E(b). For example, a financial asset will no longer meet that criterion when an entity transfers that asset so that it is held in respect of its banking activities or when an entity ceases to be an insurer.

(b) may, at the beginning of any annual period, stop applying the overlay approach to all designated financial assets. An entity that elects to stop applying the overlay approach shall apply IAS 8 to account for the change in accounting policy.

35J When an entity de-designates a financial asset applying paragraph 35I(a), it shall reclassify from accumulated other comprehensive income to profit or loss as a reclassification adjustment (see IAS 1) any balance relating to that financial asset.

35K If an entity stops using the overlay approach applying the election in paragraph 35I(b) or because it is no longer an insurer, it shall not subsequently apply the overlay approach. An insurer that has elected to apply the overlay approach (see paragraph 35C) but has no eligible financial assets (see paragraph 35E) may subsequently apply the overlay approach when it has eligible financial assets.

Interaction with other requirements

35L Paragraph 30 of this IFRS permits a practice that is sometimes described as 'shadow accounting'. If an insurer applies the overlay approach, shadow accounting may be applicable.

35M Reclassifying an amount between profit or loss and other comprehensive income applying paragraph 35B may have consequential effects for including other amounts in other comprehensive income, such as income taxes. An insurer shall apply the relevant IFRS, such as IAS 12 *Income Taxes*, to determine any such consequential effects.

First-time adopter

35N If a first-time adopter elects to apply the overlay approach, it shall restate comparative information to reflect the overlay approach if, and only if, it restates comparative information to comply with IFRS 9 (see paragraphs E1–E2 of IFRS 1).

…

DISCLOSURE

…

Disclosures about the temporary exemption from IFRS 9

39B An insurer that elects to apply the temporary exemption from IFRS 9 shall disclose information to enable users of financial statements:

(a) to understand how the insurer qualified for the temporary exemption; and

(b) to compare insurers applying the temporary exemption with entities applying IFRS 9.

39C To comply with paragraph 39B(a), an insurer shall disclose the fact that it is applying the temporary exemption from IFRS 9 and how the insurer concluded on the date specified in paragraph 20B(b) that it qualifies for the temporary exemption from IFRS 9, including:

(a) if the carrying amount of its liabilities arising from contracts within the scope of this IFRS (ie those liabilities described in paragraph 20E(a)) was less than or equal to 90 per cent of the total carrying amount of all its liabilities, the nature and carrying amounts of the liabilities connected with insurance that are not liabilities arising from contracts within the scope of this IFRS (ie those liabilities described in paragraphs 20E(b) and 20E(c));

(b) if the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities was less than or equal to 90 per cent but greater than 80 per cent, how the insurer determined that it did not engage in a significant activity unconnected with insurance, including what information it considered; and

(c) if the insurer qualified for the temporary exemption from IFRS 9 on the basis of a reassessment applying paragraph 20G(b):

(i) the reason for the reassessment;

(ii) the date on which the relevant change in its activities occurred; and

(iii) a detailed explanation of the change in its activities and a qualitative description of the effect of that change on the insurer's financial statements.

39D If, applying paragraph 20G(a), an entity concludes that its activities are no longer predominantly connected with insurance, it shall disclose the following information in each reporting period before it begins to apply IFRS 9:

(a) the fact that it no longer qualifies for the temporary exemption from IFRS 9;

(b) the date on which the relevant change in its activities occurred; and

(c) a detailed explanation of the change in its activities and a qualitative description of the effect of that change on the entity's financial statements.

39E To comply with paragraph 39B(b), an insurer shall disclose the fair value at the end of the reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

(a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (ie financial assets that meet the condition in paragraphs 4.1.2(b) and 4.1.2 A(b) of IFRS 9), excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis (see paragraph B4.1.6 of IFRS 9).

(b) all financial assets other than those specified in paragraph 39E(a); that is, any financial asset:

(i) with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

(ii) that meets the definition of held for trading in IFRS 9; or

(iii) that is managed and whose performance is evaluated on a fair value basis.

39F When disclosing the information in paragraph 39E, the insurer:

(a) may deem the carrying amount of the financial asset measured applying IAS 39 to be a reasonable approximation of its fair value if the insurer is not required to disclose its fair value applying paragraph 29(a) of IFRS 7 (eg short-term trade receivables); and

(b) shall consider the level of detail necessary to enable users of financial statements to understand the characteristics of the financial assets.

39G To comply with paragraph 39B(b), an insurer shall disclose information about the credit risk exposure, including significant credit risk concentrations, inherent in the financial assets described in paragraph 39E(a). At a minimum, an insurer shall disclose the following information for those financial assets at the end of the reporting period:

(a) by credit risk rating grades as defined in IFRS 7, the carrying amounts applying IAS 39 (in the case of financial assets measured at amortised cost, before adjusting for any impairment allowances).

(b) for the financial assets described in paragraph 39E(a) that do not have low credit risk at the end of the reporting period, the fair value and the carrying amount applying IAS 39 (in the case of financial assets measured at amortised cost, before adjusting for any impairment allowances). For the purposes of this disclosure, paragraph B5.5.22 of IFRS 9 provides the relevant requirements for assessing whether the credit risk on a financial instrument is considered low.

39H To comply with paragraph 39B(b), an insurer shall disclose information about where a user of financial statements can obtain any publicly available IFRS 9 information that relates to an entity within the group that is not provided in the group's consolidated financial statements for the relevant reporting period. For example, such IFRS 9 information could be obtained from the publicly available individual or separate financial statements of an entity within the group that has applied IFRS 9.

39I If an entity elected to apply the exemption in paragraph 20O from particular requirements in IAS 28, it shall disclose that fact.

39J If an entity applied the temporary exemption from IFRS 9 when accounting for its investment in an associate or joint venture using the equity method (for example, see paragraph 20O(a)), the entity shall disclose the following, in addition to the information required by IFRS 12 *Disclosure of Interests in Other Entities*:

(a) the information described by paragraphs 39B–39H for each associate or joint venture that is material to the entity. The amounts disclosed shall be those included in the IFRS financial statements of the associate or joint venture after reflecting any adjustments made by the entity when using the equity method (see paragraph B14(a) of IFRS 12), rather than the entity's share of those amounts.

(b) the quantitative information described by paragraphs 39B–39H in aggregate for all individually immaterial associates or joint ventures. The aggregate amounts:

(i) disclosed shall be the entity's share of those amounts; and

(ii) for associates shall be disclosed separately from the aggregate amounts disclosed for joint ventures.

Disclosures about the overlay approach

39K An insurer that applies the overlay approach shall disclose information to enable users of financial statements to understand:

(a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and

(b) the effect of that reclassification on the financial statements.

39L To comply with paragraph 39K, an insurer shall disclose:

(a) the fact that it is applying the overlay approach;

(b) the carrying amount at the end of the reporting period of financial assets to which the insurer applies the overlay approach by class of financial asset;

(c) the basis for designating financial assets for the overlay approach, including an explanation of any designated financial assets that are held outside the legal entity that issues contracts within the scope of this IFRS;

(d) an explanation of the total amount reclassified between profit or loss and other comprehensive income in the reporting period in a way that enables users of financial statements to understand how that amount is derived, including:

(i) the amount reported in profit or loss for the designated financial assets applying IFRS 9; and

(ii) the amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied IAS 39.

(e) the effect of the reclassification described in paragraphs 35B and 35M on each affected line item in profit or loss; and

(f) if during the reporting period the insurer has changed the designation of financial assets:

(i) the amount reclassified between profit or loss and other comprehensive income in the reporting period relating to newly designated financial assets applying the overlay approach (see paragraph 35F(b));

(ii) the amount that would have been reclassified between profit or loss and other comprehensive income in the reporting period if the financial assets had not been de-designated (see paragraph 35I(a)); and

(iii) the amount reclassified in the reporting period to profit or loss from accumulated other comprehensive income for financial assets that have been de-designated (see paragraph 35J).

39M If an entity applied the overlay approach when accounting for its investment in an associate or joint venture using the equity method, the entity shall disclose the following, in addition to the information required by IFRS 12:

(a) the information described by paragraphs 39K–39L for each associate or joint venture that is material to the entity. The amounts disclosed shall be those included in the IFRS financial statements of the associate or joint venture after reflecting any adjustments made by the entity when using the equity method (see paragraph B14(a) of IFRS 12), rather than the entity's share of those amounts.

(b) the quantitative information described by paragraphs 39K–39L(d) and 39L(f), and the effect of the reclassification described in paragraph 35B on profit or loss and other comprehensive income in aggregate for all individually immaterial associates or joint ventures. The aggregate amounts:

(i) disclosed shall be the entity's share of those amounts; and

(ii) for associates shall be disclosed separately from the aggregate amounts disclosed for joint ventures.

…

EFFECTIVE DATE AND TRANSITION

…

Applying IFRS 4 with IFRS 9

Temporary exemption from IFRS 9

46. *Applying IFRS 9* Financial Instruments *with IFRS 4* Insurance Contracts (Amendments to IFRS 4), issued in September 2016, amended paragraphs 3 and 5, and added paragraphs 20A–20Q, 35A and 39B–39J and headings after paragraphs 20, 20K, 20N and 39A. An entity shall apply those amendments, which permit insurers that meet specified criteria to apply a temporary exemption from IFRS 9, for annual periods beginning on or after 1 January 2018.

47. An entity that discloses the information required by paragraphs 39B–39J shall use the transitional provisions in IFRS 9 that are relevant to making the assessments required for those disclosures. The date of initial application for that purpose shall be deemed to be the beginning of the first annual period beginning on or after 1 January 2018.

The overlay approach

48. *Applying IFRS 9* Financial Instruments *with IFRS 4* Insurance Contracts (Amendments to IFRS 4), issued in September 2016, amended paragraphs 3 and 5, and added paragraphs 35A–35N and 39K–39M and headings after paragraphs 35A, 35K, 35M and 39J. An entity shall apply those amendments, which permit insurers to apply the overlay approach to designated financial assets, when it first applies IFRS 9 (see paragraph 35C).

49. An entity that elects to apply the overlay approach shall:

(a) apply that approach retrospectively to designated financial assets on transition to IFRS 9. Accordingly, for example, the entity shall recognise as an adjustment to the opening balance of accumulated other comprehensive income an amount equal to the difference between the fair value of the designated financial assets determined applying IFRS 9 and their carrying amount determined applying IAS 39.

(b) restate comparative information to reflect the overlay approach if, and only if, the entity restates comparative information applying IFRS 9.