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From:	European Commission
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To:	General Secretariat of the Council
No. Cion doc.:	D103844/01
Subject:	COMMISSION REGULATION (EU) .../... of XXX amending Regulation (EU) 2023/1803 as regards International Financial Reporting Standard 9 and International Financial Reporting Standard 7

Delegations will find attached document D103844/01.

Encl.: D103844/01



EUROPEAN
COMMISSION

Brussels, **XXX**
[...] (2024) **XXX** draft

COMMISSION REGULATION (EU) .../...

of **XXX**

**amending Regulation (EU) 2023/1803 as regards International Financial Reporting
Standard 9 and International Financial Reporting Standard 7**

(Text with EEA relevance)

COMMISSION REGULATION (EU) .../...

of **XXX**

amending Regulation (EU) 2023/1803 as regards International Financial Reporting Standard 9 and International Financial Reporting Standard 7

(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 standards¹, and in particular Article 3(1) thereof,

Whereas:

- (1) By Commission Regulation (EU) 2023/1803² certain international accounting standards and interpretations that were in existence on 8 September 2022 were adopted.
- (2) On 30 May 2024, the International Accounting Standards Board issued certain amendments to International Financial Reporting Standard 9 *Financial Instruments* ('IFRS 9') and International Financial Reporting Standard 7 *Financial Instruments: Disclosures* ('IFRS 7'). The objective of those amendments was to address some of the findings from the 2022 post-implementation review of the classification and measurement requirements in IFRS 9 and to respond to stakeholders' request to the IFRS Interpretations Committee.
- (3) Those amendments clarify the classification of financial assets with environmental, social and governance ('ESG') and similar features and the settlement of liabilities through electronic payment systems. Those amendments also impose disclosure requirements to increase transparency for investors in relation to investments in equity instruments measured at fair value through other comprehensive income ('FVOCI') and financial instruments with contingent features, such as features tied to ESG-linked targets.
- (4) Those amendments should promote loans with ESG-linked features as they should be able to apply either amortised costs or FVOCI, depending on the business model, on the basis they meet the Solely Payments of Principal and Interest ('SPPI') test. In this way, financial reporting should support economic transition measures that advance the European Green Deal.
- (5) Following a consultation with the European financial reporting advisory group EFRAG, the Commission has concluded that the amendments to IFRS 9 and IFRS 7

¹ OJ L 243, 11.9.2002, p. 1, ELI: <http://data.europa.eu/eli/reg/2002/1606/oj>.

² Commission Regulation (EU) 2023/1803 of 13 September 2023 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 237, 26.9.2023, p. 1, ELI: <http://data.europa.eu/eli/reg/2023/1803/oj>).

meet the conditions for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002. EFRAG has also concluded that the benefits of those amendments outweigh the costs involved.

- (6) Regulation (EU) 2023/1803 should therefore be amended accordingly.
- (7) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EU) 2023/1803 is amended as follows:

- 1. International Financial Reporting Standard ('IFRS') 9 *Financial Instruments* is amended as set out in the Annex to this Regulation;
- 2. IFRS 7 *Financial Instruments: Disclosures* is amended as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments referred to in Article 1, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2026.

Article 3

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,

For the Commission
The President
Ursula von der Leyen