

VALDIS DOMBROVSKIS

Vice-President of the European Commission

Brussels,

09 DEC. 2016

Councillor Kieran Quinn, Chair
Local Authority Pension Fund Forum
c/o PIRC Ltd
8th Floor Suite 8.02
Exchange Tower
2 Harbour Exchange Square
UK London E14 9GE

Dear Councillor Quinn,

Thank you for your letter of 7 October 2016 to which President Juncker has asked me to reply on his behalf. You suggest in your letter that the endorsement process of International Financial Reporting Standard 9 ("IFRS 9") on Financial Instruments has been defective because this standard fails to meet the legal criteria for its endorsement in the EU.

I have carefully read the correspondence you exchanged with Commissioner Hill on this topic and his answer to a written question from MEP Syed Kamall that you refer to in your letter.

Against that background, I would like to clear any doubts that you may have on the robustness of the EU endorsement process. In arriving at the conclusion that IFRS 9 should be endorsed, the Commission assessed that it meets all the endorsement criteria of the IAS Regulation 1606/2002 and is consistent with the requirements of Directive 2012/30/EU, which replaced the Second Company Law Directive on capital maintenance, and with the provisions of the Accounting Directive 2013/34/EU. In so doing, we also took into account the European Financial Reporting Advisory Group's (EFRAG's) endorsement advice. You can find the Commission services' assessment in the cover note that accompanied the draft Commission regulation proposing to endorse IFRS 9 that was submitted to representatives of Member States in the forum of the Accounting Regulatory Committee for a vote (see: http://ec.europa.eu/finance/company-reporting/index_en.htm#161125).

On 27 June 2016, the Accounting Regulatory Committee gave a positive opinion on this Commission Regulation endorsing IFRS 9. The standard was then subject to scrutiny by the European Parliament and the Council. The scrutiny period lasted 3 months and ended on 7 October 2016. Neither the European Parliament nor the Council raised any objections to the adoption of IFRS 9. The Commission has now completed this endorsement process by the adoption of the Commission Regulation (EU) 2016/2067 of 22 November 2016 (see: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2016:323:TOC>). IFRS 9 will come into effect on 1 January 2018.

In conclusion, we do not share your view that the endorsement process for IFRS 9 has been defective. We note that the IASB published IFRS 9 in July 2014 and that its

endorsement process was not completed until November 2016; this extensive period gave all stakeholders adequate time to raise concerns with ourselves, EFRAG, the European Parliament and representatives of Member States. In particular, the process benefitted from the revised governance structure at EFRAG which also showed that the ECB and all the European Supervisory Authorities supported its endorsement.

Finally, I note that my services, irrespective of their professional experience and background, abide to the highest standards of ethics and work objectively, impartially and solely in the interests of the European Union. Moreover, the decision to endorse IFRS 9 has been taken by the College of Commissioners after having consulted the European Parliament and the Council.

Thank you again for writing to me on this matter.

Yours sincerely,



Valdis Dombrovskis