

N°57

EFRAG
Mr Wolf Klinz
President of the EFRAG FRB
35, square de Meeûs
1 000 Brussels

Paris, 28 November 2023

ESMA Draft Comment Letter on Annual Improvements

Dear Mr Klinz,

The Autorité des Normes Comptables (ANC) welcomes the opportunity offered by EFRAG to comment on its draft comment letter on the IASB's exposure draft *Annual Improvements - Volume 11*.

Among the topics addressed by EFRAG in its draft comment letter, ANC particularly wishes to comment on Question 3 - *Proposed Amendments to IFRS 9, Financial Instruments / Derecognition of lease liabilities*. EFRAG disagrees with the proposed amendment and recommends that the IASB clarify the interaction between IFRS 9 and IFRS 16 as part of a narrow-scope standard-setting project.

ANC agrees with EFRAG that the proposed amendment does not resolve the conflict between IFRS 9 and IFRS 16 on the derecognition of lease liabilities.

However, ANC considers that the IASB's proposal to amend paragraph 2.1(b)(ii) of IFRS 9 to add a cross-reference to paragraph 3.3.3 may be acceptable, but only provided that the Basis for Conclusions on the proposed amendments to IFRS 9, *Financial Instruments* specify that this amendment does not presume the conclusion on the analysis to be carried out on the nature of the rent forgiveness, ie extinguishment of a financial liability within the scope of IFRS 9 vs a lease modification to be accounted for in accordance with IFRS 16.

We agree that the Board has not dealt with the fundamental question of the distinction between a modification and an extinction, but we believe that this can -and should- be addressed subsequently, during the IFRS 16 Post-Implementation Review.

Should you wish to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,

Alain de Marcellus
ANC International Accounting Standards Committee Chair