



The financial statements of non-banking IFRS intermediaries - impacts of COVID-19

The scenarios in which Financial Institutions find themselves operating, due to the COVID-19 pandemic, have been abruptly modified. This has led to important consequences on the reference macroeconomic context and consequently to a partial and temporary revision of the relative regulatory framework.

In fact, on February 22, 2021 the Bank of Italy published in the Official Gazette No. 44, the communication concerning two communications issued on December 15, 2020 and January 27, 2021 concerning respectively:

- Integrations to the provisions of Circular No. 262 "The banking financial statements: formats and compilation rules" concerning the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS;
- Additions to the provisions of the measure "The financial statements of IFRS intermediaries other than banks" concerning the impact of COVID-19 and measures to support the economy and amendments to IAS/IFRS.

The intention of the Bank of Italy is to provide, through the application of the contents of the above-mentioned communications, precise information to the market on the effects that COVID-19 and the measures to support the economy have had on the strategies, objectives and policies of risk management, as well as on the economic and financial situation of the intermediaries.

In preparing the additions, the Bank of Italy has taken into account, where possible, the documents already published in recent months by European regulatory and supervisory bodies and the standard setters aimed at clarifying the methods of application of IAS/IFRS in the current context.

The main additions required for the financial statements of IFRS financial intermediaries other than banks, and specifically financial intermediaries pursuant to art. 106 of the Consolidated Law on Banking other than credit consortia, primarily concern the following aspects:

- Part A Accounting policies: in section 2 "General principles of preparation" account must be taken, where applicable, of the documents of an interpretative nature and supporting the application of the accounting standards in relation to the COVID-19 impacts issued; in section 4 "Other aspects" the main risks and uncertainties to which the intermediary is exposed as a result of COVID-19 must be described (e.g. going concern, causes of uncertainty in estimates);
- Part B Information on the Balance Sheet: in section 3 "Financial assets measured at fair value with an impact on comprehensive income", more specifically in section 3.3a for those assets subject to COVID-19 support measures; in section 4 "Financial assets measured at amortized cost" also in this case with specific reference in section 4.5a to all loans subject to COVID-19 support measures;
- Part C Information on the Income Statement: in section 8 "Net value adjustments for credit risk", in whose tables the details of the net value adjustments for loans subject to

moratoria, or other concessionary measures in existence at the reporting date, or which constitute new liquidity granted through public guarantee mechanisms, should be indicated;

- Part D Other information: in section 3 "Information on risks and related hedging policies", evidence must be provided in a specific paragraph of the impacts arising from the COVID-19 pandemic; in section 3.1 "Credit risk", additional detail is required regarding loans subject to COVID-19 support measures, in tables 5a and 6.4a.

These provisions apply from the financial statements closed or in progress as at December 31, 2020 with the exception of comparative information referring to the previous year, which will remain in force until otherwise notified by the Bank of Italy.