

22 July 2020

ESMA recommends supervisory coordination on accounting for COVID-19 related rent concessions

1.0 Background

On 21 July 2020, the European Securities and Markets Authority (ESMA) issued a [Public Statement on the coordination of supervisory action on accounting for COVID-19-related lease modifications](#) (hereinafter referred to as the “Public Statement”). Given the various lease modifications brought about by the pandemic, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 (“COVID-19 related rent concessions – Amendment to IFRS 16”, hereinafter referred to as the “IFRS 16 amendment”). Whilst early application is allowed, such an amendment is effective for annual reporting periods beginning on or after 01 June 2020. At the time of the Public Statement’s issuance, the IFRS 16 amendment had not yet been adopted pursuant to the EU endorsement procedure.

2.0 ESMA Action

Amongst other considerations, ESMA recognises that applying the existing requirements to the COVID-19-related rent concessions could prove to be challenging for Issuers. In this regard, provided that the European Parliament and the Council do not object to the endorsement of the IFRS 16 amendment, ESMA recommends that National Competent Authorities (NCAs) do not prioritise supervisory actions on the application of the lease modification requirements contained in IFRS 16 as currently endorsed by the EU to COVID-19-related lease modifications which would fall within the scope of the IFRS 16 amendment.

This coordination of supervisory action would exceptionally apply to financial periods ending on or before 31 July 2020 and as long as issuers apply to those transactions the accounting treatment foreseen in the IFRS 16 amendment.

Contacts

Should you have any queries relating to the above, kindly contact the Authority on transparency@mfsa.mt