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Brussels, 16 May 2017

**Re: EFRAG draft comment letter on Prepayment Features with Negative
Compensation (Proposed amendments to IFRS 9)**

Febelfin vzw/asbl (non-profit association), the Belgian Financial Sector Federation representing), is pleased to express its view on the EFRAG draft comment letter.

IASB's ED/2017/3 Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9) proposes that prepayments features would be based upon two conditions to meet the SPPI criterion:

- the prepayment amount is inconsistent with IFRS 9 only because the party that chooses to terminate the contract early may receive reasonable additional compensation for doing so;
- the fair value of the prepayment feature is insignificant when the entity initially recognises the transaction.

We would like to emphasise that although we agree with the first eligibility criterion, we are concerned that the references in the Basis for Conclusions may affect the interpretation of the existing IFRS 9 guidance and extend the application of this amendment beyond the narrow scope it was intended to address. We believe that the IASB should refrain from references involving a delimitation of the meaning of 'reasonable compensation' as that may affect financial instruments with contractual features that are common market practice and meant to ensure customer protection.

With regard to the second criterion, we agree that this condition could seriously limit the scope of the financial instruments concerned and is therefore obviously not acceptable. We do not



see any reason why a prepayment amount cannot be negative as long as it represents a reasonable additional compensation and thus is consistent with paragraph B.4.1.11(b).

For these reasons, Febelfin appreciates to confirm its full support to the EFRAG draft-response, especially as far as it regards the conclusion that *“EFRAG is strongly of the view that the final amendments to IFRS 9 should not be accompanied by references that interpret existing IFRS 9, including the meaning of ‘reasonable compensation’. Any such references might affect the accounting treatment of other financial instruments, which is beyond the scope of the proposed Amendments.”*