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Prepayment Features with Negative Compensation (Amendments to IFRS 9) Cover Note

Objective

- 1 The objective of this session is to discuss and recommend to the EFRAG Board a draft endorsement advice on *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* ('the Amendments').

Background

- 2 The IASB issued the Amendments on 12 October 2017. The Amendments propose a change to IFRS 9 *Financial Instruments* for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature.
- 3 At its September 2017 meeting, EFRAG TEG discussed a first draft of Appendices I and II of the draft endorsement advice on the Amendments and suggested some improvements. Agenda paper 01-03 presents a marked-up of the changes made in Appendices I and II compared to the September version.
- 4 EFRAG has not yet received a letter from the European Commission requesting advice on the endorsement of the Amendments. However, due to the tight timetable for preparing the endorsement advice, the EFRAG Secretariat is seeking the views of EFRAG TEG on the draft documents. The plan, subject to receiving the letter from the European Commission and approval by the EFRAG Board, is to issue the draft endorsement advice a couple of days after the EFRAG TEG meeting with a two-week comment period.

Questions for EFRAG TEG

- 5 Does EFRAG TEG agree to recommend the draft endorsement advice on the Amendments contained in agenda paper 01-02 to the EFRAG Board?
- 6 Does EFRAG TEG agree with the draft invitation to comment contained in agenda paper 01-04?

Agenda Papers

- 7 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 01-02 *Draft endorsement advice on Prepayment Features with Negative Compensation TEG 17-10-17*;

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- (b) *Agenda paper 01-03 Draft endorsement advice on Prepayment Features with Negative Compensation – compared with September version TEG 17-10-17;*
- (c) *Agenda paper 01-04 Invitation to comment on Prepayment Features with Negative Compensation TEG 17-10-17; and*
- (d) *Agenda paper 01-05 IASB publication Prepayment Features with Negative Compensation - for background only - TEG 17-10-17.*