

## INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Comments should be submitted by 2 November 2017 by using the '[Express your views](#)' page on EFRAG website or by clicking [here](#)

EFRAG has been asked by the European Commission to provide it with advice and supporting material on *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* ('the Amendments'). In order to do so, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from their implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

**EFRAG's initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of the Amendments.**

### Your details

1 Please provide the following details:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Instituto de Contabilidad y Auditoría de Cuentas

- (b) Are you a:

Preparer  User  Other (please specify)

Standard setter

- (c) Please provide a short description of your activity:

- (d) Country where you are located:

Spain

- (e) Contact details, including e-mail address:

presidencia@icac.mineco.es

**EFRAG's initial assessment with respect to the technical criteria for endorsement**

2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, the Amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability, comparability and no issues have been identified that would affect prudent accounting. EFRAG's reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

(a) Do you agree with this assessment?

Yes  No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

**The European public good**

3 In its assessment of the impact of the Amendments on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

*Improvement in financial reporting*

4 EFRAG has identified that in assessing whether the endorsement of the Amendments is conducive to the European public good it should consider whether the Amendments are an improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 6 of Appendix 3 of the accompanying *Draft Letter to the European Commission*). To summarise, EFRAG's initial assessment is that the Amendments are likely to improve the quality of financial reporting.

Do you agree with the assessment?

Yes  No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

*Prepayment Features with Negative Compensation (Amendments to IFRS 9)  
Invitation to Comment on EFRAG's Initial Assessments*

*Costs and benefits*

- 5 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 8 to 17 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is the one-off and ongoing costs for preparers are not expected to be significant. Also, EFRAG expects users to incur a one-off cost of understanding the change, but not to incur further ongoing costs.

Do you agree with this assessment?

Yes     No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 6 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraph 18 to 20 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that the Amendments are designed to address the concerns of some interested parties on how IFRS 9 classifies financial instruments with negative prepayment features. Also, users are expected to benefit from the Amendments, as the resulting information will likely increase comparability between entities.

Do you agree with this assessment?

Yes     No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

- 7 EFRAG's initial assessment is that the benefits from improved financial information being available on a more relevant, understandable and comparable basis to be derived from implementing the Amendments in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved which are considered as insignificant, as described in paragraph 5 above.

Do you agree with this assessment?

Yes     No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

*Prepayment Features with Negative Compensation (Amendments to IFRS 9)  
Invitation to Comment on EFRAG's Initial Assessments*

*Overall assessment with respect to the European public good*

- 8 EFRAG has initially concluded that endorsement of the Amendments would be conducive to the European public good (see paragraphs 22 to 25 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

Yes     No

If you do not agree, please explain your reasons.