

European Financial Reporting Advisory Group

35 Square de Meeûs

1000 Brussels

Belgium

By email to: commentletters@efrag.org

2nd November 2017

Dear Sirs,

Ref.: 'IFRS 9 Financial Instrument' Amendment: Prepayment Options

The International Swaps and Derivatives Association ("ISDA") would like to draw to EFRAG's attention the urgency of EU endorsement of the amendment to IFRS 9, "Prepayment Features with Negative Compensation", published by the IASB on 12 October 2017.

While the effective date of the amendment is 1 January 2019, those of our members whose lending includes features that are the subject of the amendment, intend to apply it together with the rest of IFRS 9 with the effective date of 1 January 2018. To report based on the un-amended version of IFRS 9 in 2018 and then to adopt the amendment in 2019, with retrospective adjustment of the reported figures for 2018, would be very confusing to users of financial statements as well as being onerous for preparers.

There are different views on whether an amendment to a standard requires EU endorsement before it can be applied for the purposes of the IAS 8 paragraph 30 quantitative impact disclosures that will be required in the 2017 Annual Report & Accounts (ARA) and for 2018 quarterly reporting. Many of our members believe that endorsement is required.

¹ Since 1985, the International Swaps and Derivatives Association has worked to make the global derivatives markets safer and more efficient. ISDA's pioneering work in developing the ISDA Master Agreement and a wide range of related documentation materials, and in ensuring the enforceability of their netting and collateral provisions, has helped to significantly reduce credit and legal risk. The Association has been a leader in promoting sound risk management practices and processes, and engages constructively with policymakers and legislators around the world to advance the understanding and treatment of derivatives as a risk management tool. Today, ISDA has over 850 member institutions from 68 countries. These members comprise of a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. ISDA's work in three key areas – reducing counterparty credit risk, increasing transparency, and improving the industry's operational infrastructure – show the strong commitment of the Association toward its primary goals: to build robust, stable financial markets and a strong financial regulatory framework. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

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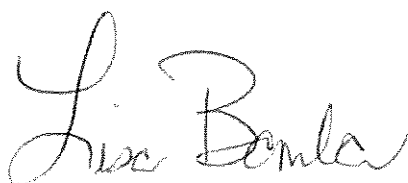
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For this reason, for many of our members, EU endorsement by the end of January 2018 is seen as critical, given that they will publish their 2017 ARAs in February 2018. Additionally, for these members, EU endorsement in January 2018 will ensure that the amendments can be applied in quarterly reports beginning from the first quarter of 2018.

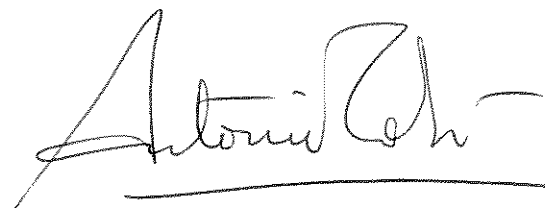
If the amendments are not endorsed by the EU by January 2018, many of our members believe that this will cause significant difficulties for entities having to report under IFRS as endorsed by the EU since, without endorsement, they would need to apply the unamended version of IFRS 9 and then revert (retrospectively from 1 January 2018) to a different basis once the amendments have been endorsed. As already stated, our members believe this would be confusing to users of the financial statements and onerous for entities to apply.

Our members therefore request the EFRAG to facilitate speedy endorsement of the amendments by the EU in order for our members to be able to apply the amendments with effect from 1 January 2018.

Yours faithfully,



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