



**EFFAS**<sup>®</sup>

The European Federation  
of Financial Analysts Societies

Mr. Wolf Klinz  
**EFRAG Chairman**  
35 Square de Meeûs  
1000 Brussels  
Belgium

Sophienstraße 44 DE – 60487  
Frankfurt am Main, Germany  
Direct number: +49 69 98959519  
E-mail: [office@effas.com](mailto:office@effas.com)  
Internet: [www.effas.com](http://www.effas.com)

***DCL- Amendments to the Classification  
and Measurement of Financial  
Instruments (IFRS-9 and IFRS-7)***

**Contact: Raquel Zaragoza**

14th June - 2023

Dear Mr. Klinz

The EFFAS Commission on Financial Reporting (“Commission”, “We”) would like to share with you its views on EFRAG’s Draft Comment Letter (“DCL”) *Amendments to the Classification and Measurement of Financial Instruments (IFRS9 and IFRS7)*.

The Commission supports in general EFRAG’s DCL comments on IASB ED IFRS-9 and IFRS-7 as it intends to contribute to the IASB due process. EFFAS also agrees with EFRAG’s proposal of clarifying the amendments proposed in the ED providing a good basis for evaluating whether contractual cash flows of financial assets with ESG-linked or similar features meet SPPI requirements.

Regarding the key points of the DCL, we would like to comment as follows.

### **1.- Derecognition of financial liabilities settled through electronic transfers**

The Commission agrees with EFRAG’s DCL reasons to support the IASB’s proposal as depicted in the ED. We agree with the IASB suggestions to (1) clarify that an entity uses settlement dates when recognising or derecognising financial assets and liabilities and (2) develops new requirements to permit an entity to consider settled a financial liability when using an electronic payment.

Regarding EFRAG’s comment suggesting amending paragraph B3.1.6 related to the settlement date application to financial liabilities, the Commission suggests further clarification and elaboration particularly when referring to the application of the settlement date. The ED in point BC25 states the requirements for regular way transactions depicted in B3.1.3-B3.1.6 already providing an alternative to the general requirements.

This is probably a more relevant point for preparers than users.



## 2.- Classification of financial assets

EFRAG's comments on the classification of financial assets are largely supported. The Commission also concurs with the IASB decision against creating an exception for financial assets with ESG-linked features. Clarification to the general SPPI principles as developed in IFRS-9 on the requirements as proposed in the ED is a better approach.

Regarding EFRAG's DCL comments related to the classification of *financial assets with contractual terms*, the Commission supports EFRAG's approach. As previously noted, we agreed with the ED refusing to grant a specific exception from the requirements on contractual cash flows and supports clarifications to the general principles of solely payments of principal and interest (SPPI).

The Commission agrees with EFRAG's proposal to provide examples of "contingent event" and of more complex financial instruments. However, we would like to highlight that this requirement should be presented in a clear and concise manner to avoid an overload of information.

Regarding the classification of financial assets *with non-recourse features* and with *contractually linked instruments*, the commission agrees with EFRAG's approach. The Commission also supports the IASB's decision to clarify that certain transactions do not contain contractually linked instruments and supports providing examples.

Regarding the proposed ED amendments to *Disclosures*, the Commission agrees with EFRAG's comments related to investments in equity instruments designated at fair value through Other Comprehensive Income (OCI). The Commission considers that the IASB proposal should improve the disclosure requirements in IFRS-7 and sequential amendments related to provide additional information about the amounts reflected in OCI.

If you would like to further discuss the views expressed in this letter, please contact us.

Javier de Frutos, Chair  
EFFAS Commission on Financial Reporting

*EFFAS was established in 1962 as an association for nationally based investment professionals in Europe. Headquartered in Frankfurt am Main, EFFAS comprises 14-member organizations representing more than 16,000 investment professionals. The Commission on Financial Reporting is a standing commission of EFFAS aiming at proposing and commenting on financial issues from an analyst standpoint. CFR members are Javier de Frutos (Chairman, IFAF-Spain), Jacques de Greling (Vice-Chairman- SFAF, France), Friedrich Spandl (ÖVFA, Austria), Henning Strom (NFF, Norway), Serge Pattyn (BVFA/ABAF, Belgium), Luca D'Onofrio (AIAF, Italy), Dr. Carsten Zielke (DVFA, Germany), and Andreas Schenone (SFAA, Switzerland).*