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Brussels, 17 May 2017  
EBF\_027213

**Subject: Prepayment features with negative compensation:  
Proposed amendments to IFRS 9**

Dear Mr Watchman,

Thank you for providing us with the opportunity to comment on the EFRAG draft comment letter to the *IASB Exposure Draft: Prepayment features with negative compensation*. The EBF supports the EFRAG draft comment letter.

We welcome in particular the amendment in the ED as we believe that the negative sign of the compensation - as such - should not prevent measurement of financial asset at amortised cost.

We also fully share EFRAG's view developed in its draft comment letter.

We agree with the first eligibility criterion proposed by the IASB in its amendment. However, we are concerned by the BC of the amendment which introduce implicitly some new guidance on the SPPI beyond the scope of the amendment which could undermine the current interpretation of IFRS 9, at a very late stage of implementation of IFRS 9.

We however disagree with the second eligibility criterion as it would lead to different conclusions regarding the eligibility for amortised cost whether the instrument contains positive or negative compensation. The demonstration that the fair value of the prepayment feature is insignificant could be challenging, if not impossible, even if in practise these options are rarely exercised, as such prepayment option has some value for the borrower since it allows benefiting from better credit spread conditions. Moreover, it could sharply limit the scope of the financial instruments concerned.

Finally, the effective date of the amendment should be January 2018. Otherwise banks will have to change the classification and measurement of financial instruments (FV in 2018 and amortised cost in 2019), which would render the first time application of IFRS 9 all the more complex and incomprehensible for the users. The European endorsement process will therefore have to be accelerated.

Yours sincerely,



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