

## Prepayment Features with Negative Compensation (proposed Amendments to IFRS 9)

**EFRAG's initial outreach revealed that prepayment features with negative compensation exist in different types of loans in various jurisdictions across Europe. Do you agree that the issue is widespread enough that the IASB should amend IFRS 9 so close to its effective date? Why or why not? Please explain and provide examples where possible.**

We are not aware that in our jurisdiction these prepayment options with negative compensation are widespread. In addition, CNC has not received any questions related to this type of instruments.

**Do you have evidence of financial assets with prepayment features with negative compensation that would not qualify as SPPI based on the eligibility criteria as proposed in the Amendments? If so, do you consider this outcome to be appropriate or inappropriate? Please explain and provide examples where possible.**

No.

**Would EFRAG's suggestion to remove the second eligibility criterion result in a more appropriate measurement of financial assets with prepayment features with negative compensation? Please explain and provide examples where possible.**

We understand that these conditions are more restrictive than those that are applicable to prepayment options already in the scope of IFRS 9 and that they may result in the amendments being applicable only to a very narrow population of instruments.

However, we believe that the second condition (fair value of the prepayment feature is insignificant) is needed to keep this amendment applicable to a narrowly defined population of instruments and to prevent the inclusion in the scope instruments with potential variability of cash flows associated with the existence of such negative prepayment options.

Lisbon, 17<sup>th</sup> May 2017