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ICAC's comments on EFRAG's comment letter on IASB's ED/2013/3 Financial Instruments: Expected Credit Losses

In this letter ICAC responses EFRAG's questions on IASB's ED/2013/3 Financial Instruments: Expected Credit Losses.

The first question is in relation to financial instruments FV-OCI category. ICAC does not support this category of financial assets that the IASB proposed in ED Classification and Measurement: Limited Amendments to IFRS 9. We are aware of some accounting mismatches arising for insurance companies that could be solved with this third category of financial assets. We prefer a particular solution for this issue in insurance contracts project in which the expected credit losses for this category would be set out particularly.

Furthermore, we express our doubts about the application of the model as EFRAG mentions on paragraph 44 of its letter. We do not support the debit in profit or loss that is offset by a credit in other comprehensive income. It seems that the debit is not in line with the definition of the expenses to the extent that the former is neither a decrease in asset nor increase in liability.

Moreover, the proposed model seems to require the bifurcation of the fair value modifications due to credit risk from changes due to other causes, and this could be not easy in these types of financial instruments.

C/ HUERTAS, 26
28014 MADRID
TEL.: 91 389 56 00
FAX: 91 429 94 86

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Secondly, EFRAG asks about the "30 days past due" rebuttable presumption. We agree with EFRAG that there is not a conceptual basis for a 30- day period and we would be more confortable if instead this period were a rebuttable presumption it would be an indication among others of increase the credit risk.

Ana Martinez-Pina
Chairman of ICAC

Madrid 17th june de 2013

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