

Draft Comment Letter

Comments should be submitted by 12 July 2012 to Commentletters@efrag.org

[XX July 2012]

Wayne Upton, Chairman
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Upton,

Re: IAS 39 Financial Instruments: *Recognition and Measurement* — Accounting for different aspects of restructuring Greek government bonds

Note to EFRAG's constituents

The IFRS Interpretations Committee (Interpretations Committee) received a request for guidance on the circumstances in which the restructuring of Greek government bonds should result in derecognition of the whole asset, or only part of it, in accordance with IAS 39. In particular, the Interpretations Committee was requested to consider the following questions:

- (a) Whether the portion of the old Greek government bonds that are exchanged for twenty new bonds with different maturities and interest rates should be derecognised, or conversely accounted for as a modification or transfer that would not require derecognition?
- (b) Whether IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* would be applicable in analysing the submitted fact pattern?
- (c) Whether either paragraphs AG8 or AG62 of IAS 39 would be applicable to the fact pattern submitted if the Greek government bonds were not derecognised?
- (d) What is the appropriate accounting for the GDP-linked security that was offered as part of the restructuring of Greek government bonds?

The Interpretations Committee discussed these issues at its May 2012 meeting, and tentatively decided not to add them to its agenda. The basis for rejection can be found in the IFRIC Update of May 2012.

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the IFRS Interpretations Committee's (Interpretations Committee) tentative decision not to proceed with the agenda item on a request for guidance to clarify the circumstances in which the restructuring of Greek government bonds should result in derecognition of the whole asset, or only part of it, in accordance with IAS 39.

This letter is submitted in EFRAG's capacity of contributing to the Interpretations Committee's due process.

We agree with the Interpretations Committee's conclusion that the old Greek government bonds should be derecognised in their entirety (since their terms and conditions are substantially different compared to those of the new Greek government bonds). We therefore support the Interpretations Committee's tentative decision not to add the issue to its agenda.

However, we believe that it would be helpful if the standards explicitly dealt with debt restructurings more generally, which would be particularly relevant in the light of the current financial crisis. In this respect we note the absence of certain definitions that are critical for the derecognition assessment process, and the lack of an explicit discussion in IAS 39 of when a modification of a financial asset (or exchange of debt instruments) results in derecognition. Therefore, we suggest that the Interpretations Committee recommend to the IASB that accounting for debt restructurings and modifications be addressed as part of the finalisation of IFRS 9 *Financial Instruments*.

If you would like to discuss our comments further, please do not hesitate to contact Panagiotis Papadopoulos or me.

Yours sincerely,

Françoise Flores

EFRAG Chairman