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Prepayment Features with Negative Compensation (Amendments to IFRS 9) Cover Note

Objective

- 1 The objective of this session is to discuss an initial draft of Appendix I and Appendix II of the draft endorsement advice on *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* ('the Amendments').

Background

- 2 The IASB expects to issue the Amendments in October 2017. As part of its preparation for the future endorsement advice, the EFRAG Secretariat has prepared a preliminary draft of Appendix I, which includes a summary of the Amendments, as well as Appendix II which considers the Amendments against the endorsement criteria of relevance, reliability, understandability, comparability and prudence.
- 3 At its meeting in July 2017, the IASB indicated that guidance around '*Modifications or exchanges of financial liabilities*' will be included in the Basis for Conclusions of the Amendments. As the Basis for Conclusions is beyond the scope of EFRAG's endorsement advice, such guidance was not considered in the draft Appendices I and II.
- 4 The EFRAG Secretariat is currently working with tentative decisions from the IASB. The assessments in the Draft Endorsement Advice will be updated once the final Amendments are issued.
- 5 For Appendix II, the following issues have been assessed against the endorsement criteria:

Topic	Relevance	Reliability	Comparability
Prepayment features with negative and positive compensation	X		X
Effective date of 1 January 2019 with early application	X		X
Transition	X	X	X
Amortised cost measurement or fair value through other comprehensive income	X		
Avoiding future diversity in practice			X

- 6 No specific issues were currently identified under the following criteria:
 - (a) Understandability;

*Prepayment Features with Negative Compensation (Amendments to IFRS 9)
Cover Note*

- (b) Prudence; and
- (c) True and Fair View Principle.

Question for EFRAG TEG

- 7 Does EFRAG TEG have any comments with respect to completeness and appropriateness of the topics addressed in Appendices I and II?

Agenda Papers

- 8 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 06-02 *Issues paper on Prepayment Features with Negative Compensation - Towards the DEA - Appendix I TEG 17-09-21*; and
 - (b) Agenda paper 06-03 *Issues paper on Prepayment Features with Negative Compensation - Towards the DEA - Appendix II TEG 17-09-21*.