

Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2017:02

International Accounting Standards Board
30 Cannon Street
London EC4M 6 XH
United Kingdom

Dear Board members,

Re: IASB Exposure Draft ED/2017/3 Prepayment Features with Negative Compensation – Proposed amendments to IFRS 9

The Swedish Financial Reporting Board is responding to your invitation to comment on the Exposure Draft Prepayment Features with Negative Compensation – Proposed amendments to IFRS 9.

However justifiable, we believe that an amendment so close to the implementation date is unfortunate as it may potentially impact the assessments already made by preparers. Therefore, it is utterly important that the amendment is precise and narrow in its scope.

Our overall position is that financial instruments containing prepayment features with negative compensation should be eligible for measurement at amortised cost or at fair value through other comprehensive income ('FVOCI') subject to the conditions proposed in the ED. Implicit symmetric prepayment options is present in all listed fixed income financial instruments, since the market makes it possible to transfer the financial assets or buy back financial liabilities at current market rates. A derecognition at fair value may inherently cause a gain or a loss and should not hinder a measurement at amortised cost or at FVOCI.

As stated above, we believe that an amendment this close to the implementation date has to be precise and narrow in scope and we understand that this has been the intent of the Board. We believe that the Board has succeeded in this regard with the proposed amendments within the standard, but has failed with regards to the Basis for Conclusions (BCs). We are concerned that the interpretations introduced in the BCs are far reaching and go beyond the scope of the amendment. The interpretations may also be in conflict with the present understanding of IFRS 9.

For example, to introduce a detailed and prescriptive description of the calculation of effective yield and the concept of "reasonable compensation" just a few months before the implementation date may have significant impact on the implementation process that go far beyond the scope of the amendment.

We therefore urge the Board to focus the BCs on the reasons for the amendment as such and avoid interpretations of concepts that go beyond the proposed amendment.



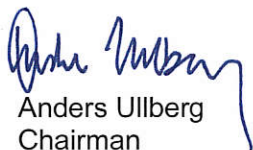
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Finally, we understand the purpose of the proposed effective date of 1 January 2018, to make sure that preparers will not be required to restate their financial statements just one year after the implementation of IFRS 9. However, there is a time lag from the publishing of a final standard until it could be endorsed, for those countries that have an endorsement process. Not being able to fully apply IFRS may force entities being listed outside of EU to reconcile their IFRS financial statements to local GAAP (e.g. US GAAP). Therefore we recommend the IASB to include an effective date of 1 January 2019, with early application permitted, rather than the date proposed in the Amendments.

If you have any questions concerning our comments please address our Executive member Mikael Scheja by e-mail to: Mikael.scheja@radetforfinansiellrapportering.se

Stockholm, 24 May 2017

Yours sincerely



Anders Ullberg
Chairman