Re: Exposure Draft on Amendments to the Classification and Measurement of Financial Instruments (Proposed amendments to IFRS 9 and IFRS 7) issued by the IASB for comments

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To:asb@icai.in <asb@icai.in>

Hi,

Please find the response to exposure draft below :

Question 1—Derecognition of a financial liability settled through electronic transfer
We agree with the proposed amendment to derecognize a financial liability settled through electronic payment system. Points to consider in application of the amendment are:
- Entities would have to review the electronic payment system and understand whether they would apply the proposed accounting policy election. Although, resulting settlement risk should be insignificant.
- Entities would also have to assess the payment system and identify when the conditions stated in paragraph B3.3.8 would be met, for a financial liability to be derecognized.
- Thorough assessment is required of different payment systems used by the entity and annual closing dates, especially in case of cross border payments.
- Also, entities would need to cease the practice of adjusting cash balances for those in-transit.

Question 2—Classification of financial assets—contractual terms that are consistent with a basic lending arrangement
We agree with the proposed amendment as well as with the fair consideration given to ESG linked instruments. Making it easier for financial instruments with ESG-linked features to achieve amortised cost accounting in circumstances where they are, in substance, basic lending transactions. However, the entities would have to assess whether there are any unintended consequences for the classification of non-ESG linked financial assets.

Question 3—Classification of financial assets—financial assets with non-recourse features
Question 4—Classification of financial assets—contractually linked instruments
We agree with the IASB's consideration of clarifying both non-recourse and contractually linked instruments' requirements. The text now makes clear that items which are in substance bilateral secured lending arrangements are assessed under the non-recourse finance rules.

Question 5—Disclosures—investments in equity instruments designated at fair value through other comprehensive income
The proposed amendment would facilitate the users of financial statements with additional relevant information on this topic. We agree with the proposal.

Question 6—Disclosures—contractual terms that could change the timing or amount of contractual cash flows
We welcome the proposal for additional disclosures; however, a careful consideration is required to balance the need to provide sufficient details to be useful to users of the accounts with the risk of information overload.

Question 7—Transition
We support the proposed transition requirements, including the requirement not to restate.

Best Regards,

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