Comments On Exposure Draft

Exposure Draft of Amendments to the Classification and Measurement of Financial Instruments: Amendments to Ind AS 109 and Ind AS 107

Derecognition of financial liabilities

A—**Derecognition of financial liabilities settled through electronic transfers**

• clarify that an entity uses settlement date accounting when recognising or derecognising financial assets and financial liabilities; and

• develop new requirements to permit an entity to deem a financial liability that is settled using an electronic payment system to be discharged before the settlement date if specified criteria are met. Applying the proposals, an entity would be permitted to derecognise a financial liability if and only if the entity has initiated the payment instruction and:

• The entity cannot withdraw, stop or cancel the payment instruction;

• The entity has no practical ability to access the cash to be used for settlement as a result of the payment instruction; and

• The settlement risk associated with the electronic payment system is insignificant.

The proposals would:

• provide a timely and effective response to stakeholders' concerns;

• be operable and mitigate the risk of unintended consequences; and

• lead to the consistent application of the derecognition requirements

Classification of financial assets

Specifically, to clarify the requirements on:

A Elements of interest in a basic lending arrangement

B Contractual terms that change the timing or amount of contractual cash flows

A—Elements of interest in a basic lending arrangement

To help an entity assess whether the interest it receives in an arrangement is consistent with a basic lending arrangement, to clarify that:

- the assessment of interest focuses on what an entity is being compensated for, rather than how much compensation an entity receives; and

- Contractual cash flows are inconsistent with a basic lending arrangement if:

  o the cash flows include compensation for risks or market factors not typically considered basic lending risks or costs, even if such terms are common in the market; and

  o the cash flows change in a way that is not aligned with the direction and magnitude of changes in lending risks or costs

—B. **Contractual terms that change the timing or amount of contractual cash flows**

To help entities assess whether such financial assets meet the SPPI requirement, to clarify that:

- An entity shall assess whether the contractually specified change would meet the SPPI requirement irrespective of the probability of the contingent event occurring;
- A change in contractual cash flows is consistent with a basic lending arrangement if the occurrence (or non-occurrence) of the contingent event is specific to the debtor; and
- The resulting contractual cash flows should represent neither an investment in the debtor nor an exposure to the performance of specified assets

Disclosures

—Investments in equity instruments designated at fair value through other comprehensive income

The proposed disclosure requirements are intended to help users of financial statements:

- to better evaluate the performance of equity investments designated using the OCI presentation option during the reporting period; and
- to differentiate between changes in fair value related to investments derecognised during the reporting period and changes in fair value related to investments held at the end of the reporting period.

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