

4 December 2017

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Dear sir or madam,

Alleged breach of Due Process

I am writing on behalf of the IFRS Foundation's Due Process Oversight Committee (DPOC) in response to your message of 16 October 2017 entitled *Due Process Complaint*. This expressed concern about the two paragraphs included in the Basis for Conclusions on the recent amendments to IFRS 9 *Prepayment Features with Negative Compensation* relating to a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability.

Following the protocol set out in the IFRS Foundation's *Due Process Handbook* for alleged breaches of due process, the DPOC considered your complaint at its meeting on 7 November 2017 at which the Chair and the Vice-chair of the International Accounting Standards Board (Board) were present. The meeting was a public meeting and you can listen to a recording of it from the DPOC's webpage (<http://www.ifrs.org/groups/due-process-oversight-committee/#meetings>).

In advance of the meeting, the DPOC received a report on the matter from the IASB's technical staff. The report sets out the Board's and the IFRS Interpretations Committee's (Committee) respective discussions on the topic of modifications or exchanges of financial liabilities (including their consideration of comment letters received); analyses whether the due process requirements were met; and highlights the oversight the DPOC provided throughout the process. The report is available on the DPOC's webpage (<http://www.ifrs.org/-/media/feature/meetings/2017/november/trustees-of-the-ifrs-foundation/agenda-papers/ap1c-complaint-cover-note.pdf>) and a copy is attached.

The DPOC concluded that the due process requirements relating to the amendments to IFRS 9 have been followed. They discussed the staff report and agreed with the analysis of the issues (set out in paragraphs 20 to 26 of that report). In particular, the DPOC agreed that the Board has not established new requirements for modifications and exchanges of financial liabilities that do not result in derecognition, and noted that throughout the process both the Board and the Committee agreed, and were clear on, the accounting required by the existing requirements in IFRS 9. The DPOC also agreed that it was an appropriate use of the Basis for Conclusion on IFRS 9 for the Board to record its decision not to undertake standard setting and, in explaining its rationale, to confirm the relevant accounting required by IFRS 9. The DPOC noted that these paragraphs in the Basis for Conclusion

address in a timely manner any uncertainty regarding the requirements of IFRS 9 and avoid the potential for diversity in practice.

In summary, the DPOC concluded that there has been no breach of due process and, hence, that no further action is required.

Yours faithfully



Richard Thorpe

Director of Trustee Activities