

Dear DPOC members,

The International Accounting Standards Board (the Board) will hold its next meeting the week commencing 17 July 2017. There is one matter to be brought to the attention of the Due Process Oversight Committee (DPOC).

Prepayment features with Negative Compensation (Agenda paper 3E)

At its meeting in January 2017 the DPOC gave permission for the Board to publish an exposure draft with a short comment period of narrow scope amendments to IFRS 9 *Financial Instruments*. The DPOC agreed with the Board's aim to finalise these proposed amendments before IFRS 9 becomes effective in January 2018.

At the July 2017 Board meeting the staff will address the technical matters raised in the comment letters and, if the Board members reach agreement on the matters discussed, will present the due process steps. Subject to agreement of the technical matters the staff will request permission to start the balloting process and ask if any member intends to dissent.

The DPOC noted at its meeting in May that the exposure draft *Prepayment Features with Negative Compensation* was published in April 2017. The Board considered the comment letter summary at its meeting in June 2017. 60 comment letters were received.

The due process steps are set out in Appendix A of agenda paper 3E. The staff are not recommending re-exposure on the basis that there are no fundamental changes on which respondents have not had the opportunity to comment.

The DPOC should also be aware the staff are recommending that the Board take the opportunity, when finalising the amendments to IFRS 9, to highlight the accounting required by IFRS 9 for a modification or exchange of a financial liability that does not result in derecognition. At the May 2017 DPOC meeting, the staff explained to DPOC members that the IFRS Interpretations Committee (the Committee) had published a tentative agenda decision in March 2017 on this matter after the Board considered the Committee's original proposal to develop a draft IFRIC Interpretation. At its June 2017 meeting, although agreeing with the technical analysis summarised in the tentative agenda decision, the Committee decided to refer the matter back to the Board in the light of the comments received. 13 comment letters were received on the tentative agenda decision.

This report is primarily for information and to provide the DPOC with assurance that the Board is reviewing the due process steps and fulfilling the requirements of the Due Process Handbook as these projects progress.

If you have any questions please do not hesitate to contact me.