



Project **Agenda decision**

Topic **IAS 39 *Financial instruments: Recognition and Measurement* –  
Failed loan syndications**

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## Introduction

1. In March 2009 the IFRIC published a tentative agenda decision not to add to its agenda an issue to provide guidance on the application of the definitions of the categories of IAS 39 to the classification of loans originated in the context of loan syndications.
2. Two comment letters were received that agreed with the IFRIC's tentative decision not to add the issue to its agenda.

### Recommendation and question - wording of the final agenda decision

The staff recommends that the IFRIC confirm its tentative decision not to add the issue to its agenda. The proposed wording for the agenda decision is set out in Appendix A. Does the IFRIC agree with the staff's recommendation? Does the IFRIC have any comments on the proposed wording in Appendix A?

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This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRIC.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRIC or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

Decisions made by the IFRIC are reported in IFRIC *Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in IASB *Update*.

## Appendix A

A1. The staff proposes the following wording for the final agenda decision (no changes from the tentative decision published in the March *IFRIC Update*).

### **IAS 39 *Financial instruments: Recognition and Measurement* – Classification of failed loan syndications**

The IFRIC was asked whether a loan amount resulting from a loan syndication that the originator intends to sell in the near term must always be classified as held for trading. The question arises when loans are originated with an intention of syndication but the arranger fails to find sufficient commitments from other participants (failed syndications). The arranger then tries to sell the surplus loan amount to other parties in the near term rather than holding it for the foreseeable future.

The IFRIC noted that the definitions of loans and receivables and financial asset or financial liability at fair value through profit or loss in paragraph 9 of IAS 39 determine the classification of a loan in such circumstances. The definition of loans and receivables explicitly requires a loan (or portion of a loan) that is intended to be sold immediately or in the near term to be classified as held for trading on initial recognition.

Paragraph AG14 of IAS 39 describes characteristics that generally apply to financial instruments classified as held for trading. The IFRIC noted, however, that these general characteristics are not a prerequisite for all instruments the standard requires to be classified as held for trading.

The IFRIC also noted that, in accordance with paragraph 50D of IAS 39, an entity would be permitted to consider reclassifying the surplus loan amount that it no longer intended to sell.

Given the specific requirements in IAS 39, the IFRIC did not expect significant diversity in practice. Therefore the IFRIC decided not to add this issue to its agenda.