

**Retention of servicing rights (IAS 39 *Financial Instruments: Recognition and Measurement*)—  
November 2005**

The IFRIC was asked to provide guidance on whether an arrangement under which an entity has transferred the contractual rights to receive the cash flows of a financial asset but continues to provide servicing on the transferred asset would fail the definition of a transfer of cash flows in terms of IAS 39 paragraph 18(a) [now replaced by paragraph 3.2.4(a) of IFRS 9].

The IFRIC noted that paragraph 18(a) focuses on whether an entity transfers the contractual rights to receive the cash flows from a financial asset. The determination of whether the contractual rights to cash flows have been transferred is not affected by the transferor retaining the role of an agent to administer collection and distribution of cash flows. Therefore, retention of servicing rights by the entity transferring the financial asset does not in itself cause the transfer to fail the requirements in paragraph 18 (a) of IAS 39. The IFRIC decided not to add the issue to its agenda as it did not expect significant diversity in practice to arise.