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07 July 2023

Ref.: Invitation to comment – Exposure Draft on Amendments to the Classification and Measurement of Financial Instruments, Proposed amendments to IFRS 9 and IFRS 7

Dear Trustees of the IFRS Foundation,

The International Swaps and Derivatives Association ('ISDA')[1] welcomes the opportunity to provide input on the above referenced Exposure Draft ('ED') issued by the International Accounting Standards Board ('IASB') on 21 March 2023.

We support the efforts made by the IASB to address the issues that have been identified in the course of the post implementation review of the IFRS 9, classification and measurement requirements. Our key observations of the proposals in the ED are as follows:

- For the changes to emphasise that settlement date accounting is the default approach for the initial recognition and derecognition of financial assets, we suggest that this should be separated from the other changes in the ED and the IASB establish a separate project. The significance of what is proposed means that further work is required to ensure the final amendments are appropriate and that any changes integrate with the existing IFRS 9 requirements.
- Our members note that the time required to implement the changes across entities' payment systems is likely to be extensive. In light of this, if the IASB do not establish a separate project, we request that the final amendments for the changes to initial recognition and derecognition should be capable of being implemented on a timeline that is separate to the other amendments.

[1] Since 1985, the International Swaps and Derivatives Association has worked to make the global derivatives markets safer and more efficient. ISDA's pioneering work in developing the ISDA Master Agreement and a wide range of related documentation materials, and in ensuring the enforceability of their netting and collateral provisions, has helped to significantly reduce credit and legal risk. The Association has been a leader in promoting sound risk management practices and processes, and engages constructively with policymakers and legislators around the world to advance the understanding and treatment of derivatives as a risk management tool. Today, ISDA has over 850 member institutions from 67 countries. These members comprise of a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. ISDA's work in three key areas – reducing counterparty credit risk, increasing transparency, and improving the industry's operational infrastructure – show the strong commitment of the Association toward its primary goals; to build robust, stable financial markets and a strong financial regulatory framework. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

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- We are grateful for the urgency with which the IASB has sought to address the issues associated with accounting for financial instruments linked to Environmental, Social and Governance (ESG) measures. Whilst we broadly support the approach proposed, the guidance on contingent cash flows should be narrowed so that the presence of lender contingent cost clauses which cover changes in lenders' administrative expenses do not automatically cause a loan to fail SPPI.
- We acknowledge that the IASB has urgently developed proposals to try and address some of the most common application challenges our members face in assessing the contractual cash flow characteristics for non-recourse assets and contractually linked instruments. We propose some further minor clarifications including that additional content is added from the relevant IASB staff papers.
- We are concerned by the additional disclosures for contingent features for financial instruments at amortised cost. We believe that as proposed they will produce excess information that is not useful to users of the financial statements and will be overly burdensome to prepare. We suggest that any additional disclosures should focus only on those financial instruments with contractual cash flows for which the assessment under B4.1.10A is relevant and not those that only have cash flows that provide compensation for the different elements of interest as assessed under B4.1.8A.

We discuss each of the points above in more detail in the appendix to this letter, along with detailed responses to each of the questions raised in the ED.

We look forward to supporting the IASB as its work progresses in this area. Should you have any questions or would like clarification on any of the matters raised in this letter please do not hesitate to contact the undersigned.

Yours faithfully,

Fiona Thomson
Managing Director
Goldman Sachs
ISDA European Accounting WG Chair

Antonio Corbi
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Appendix attached

Question 1—Derecognition of a financial liability settled through electronic transfer

Paragraph B3.3.8 of the draft amendments to IFRS 9 proposes that, when specified criteria are met, an entity would be permitted to derecognise a financial liability that is settled using an electronic payment system although cash has yet to be delivered by the entity.

Paragraphs BC5–BC38 of the Basis for Conclusions explain the IASB's rationale for this proposal.

Do you agree with this proposal? If you disagree, please explain what aspect of the proposal you disagree with. What would you suggest instead and why?

Our members suggest that the IASB should separate out from the ED the amendments that relate to the initial recognition and derecognition of financial assets and financial liabilities and make it a separate project. This will allow entities to fully understand and provide further input to the proposals, which have complex and wide-ranging implications. Making it a separate project will ensure it receives appropriate time and attention to work through all aspects of the proposals, some of which we describe below. This will have the benefit of minimising the likelihood of unintended consequences arising. This separate project would also provide the opportunity to consider other aspects of the IFRS 9 derecognition requirements, such as continuing involvement accounting.

We appreciate the IASB deciding to cover this topic in an ED rather than to have confirmed the decision of the IFRS Interpretations Committee (IFRIC) in September 2022. Had the latter approach been followed and the IFRIC decision been confirmed by the IASB, it would have been disruptive. Furthermore, we consider that the issue is too important and widespread to be addressed by the IFRIC.

If the proposals in the ED to allow an accounting policy choice for financial liabilities are agreed, it would be helpful for the IASB to clarify what the credit entry should be when the financial liabilities are derecognised once the conditions in B3.3.8 are met. The reason is that there will be a difference between when the conditions in B3.3.8 are met and when the cash leaves the entity's bank account. As no equivalent accounting policy choice is proposed for financial assets, the cash financial asset would normally only be derecognised on settlement date. If the IASB envisage that the cash should be derecognised simultaneously with the financial liability when the conditions in B3.3.8 are met and the entity has therefore lost control of the cash, this should be clearly stated in the final amendments. This clarification should also explain the treatment if the entity is deemed to have lost control of the cash such that it should arguably be derecognised, but not all the conditions in B3.3.8 are met, preventing the liability from being derecognised.

If the cash were not derecognised, one approach would be for the credit entry to create an overdraft that is presented net against cash, e.g., resulting in an effect similar to derecognition. Another approach would be to consider the requirements of IAS 7.48 if the cash is not available for use by the entity, and also whether the amount still meets the definition of cash equivalents. We understand that providing additional guidance in this area is outside the

scope of the ED but we note that unless some further clarification is provided, inconsistent treatment may arise for the treatment of the cash balances for payments to settle liabilities that are in process and also for the treatment of restricted cash.

The condition described in B3.3.8(b) states that it is met when the entity has no practical ability to access the cash. The use of the word 'practical' is potentially helpful as it allows entities to avoid having to perform an overly legalistic analysis and enables entities to assess qualitatively when the cash is no longer available. It would be helpful if the word 'practical' were also added to B3.3.8(a) to allow this to be a practical assessment for when the payment cannot be reversed, rather than being an overly legalistic one. If this approach is followed, we suggest that it would be beneficial to combine the separate assessments described in B3.3.8(a) and B3.3.8(b) into a single assessment to highlight that its practical focus.

It would be beneficial if a definition were provided in the amendments for what is an electronic payment system. This is because there are many different ways of making payments that operate using electronic means, which the accounting policy election could potentially be applied to. Unless a clear definition is provided, we are concerned that the amendments will give rise to inconsistent use of the accounting policy election if different views are taken on what comprises an electronic payment system.

The amendment proposed in B3.1.2A would make a settlement date-based approach the default treatment for the derecognition and recognition of financial assets and financial liabilities. Our members are concerned that changing to this approach may require significant time and effort to implement. We therefore request that the mandatory application date for the recognition and derecognition amendments is at least two years from when the final requirements are published by the IASB. This will allow one year to prepare, then another year to produce comparative information before the amendments take effect. If entities wish to voluntarily restate prior periods and / or they wish to early adopt the amendments, they should be allowed to do so.

We also suggest that to support the amendment proposed in B3.1.2A, further explanation should be provided to ensure that it is consistently understood and applied. The effect of the amendment could be significant for those entities that follow a different practice which is long established. We note the following areas where the amendments interact with the existing recognition and derecognition requirements of IFRS 9, where clarification of when settlement date accounting applies and how it interacts with the existing recognition and derecognition requirements would be helpful.

- In B3.1.6 settlement date is described as '*the date an asset is delivered to or by an entity'*. We consider that this is consistent with the guidance in 3.1.1, that initial recognition occurs when '*the entity becomes party to the contractual provisions of the instrument…*'. It would be helpful to note that the timing for initial recognition and derecognition is expected to be symmetrical for the respective parties to a transaction where both descriptions apply, as this is not presently clear in IFRS 9 and could give rise to confusion.
- For the initial recognition of financial instruments such as derivatives, the reference to settlement date will often not be relevant as there will be no delivery of cash or another financial asset at inception. B3.1.2(c) notes that '*A forward contract …is recognised … on the commitment date, instead of on the date on which settlement takes place.*' Also, for the derecognition of financial liabilities, B3.3.1(a) describes this is normally when the creditor has been paid '*with cash, or other financial assets,*

goods or services' so is equivalent to settlement date. However, B3.3.1(b) describes that derecognition occurs when the entity is *'legally released from primary responsibility for the liability…',* which emphasises the contractual status, similar to the initial recognition of derivatives. These points should be noted along with an explanation that the concept of 'settlement date' is only relevant where cash or another financial asset is delivered.
- Trade date accounting is an exception to the general settlement date principle as described in B3.1.3 in the context of the recognition of financial assets that are purchased and sold under regular way transactions. It is potentially confusing that the definition of settlement date accounting that B3.1.2A refers to is that in B3.1.6, which is provided in the context of the regular way guidance for financial assets only and does not refer to financial liabilities. We note that in January 2007 the IFRIC considered how the regular way guidance should be applied to financial liabilities arising from short trading positions. The IFRIC acknowledged that regular way accounting is applied in practice to short trading positions but decided not to consider the issue further. This illustrates that the wider relevance of the description of trade date accounting including where it does (and does not) apply should be more clearly explained.

We recognise that the suggestion above to further explain how B3.1.2A interacts with the existing IFRS 9 requirements may be more extensive than the IASB had envisaged. This supports our suggestion that the proposed amendments to the initial recognition and derecognition of financial assets and financial liabilities should form a separate project.

If the IASB does not establish a separate project, the timeline for adopting the recognition and derecognition amendments should be separated from the timeline for adopting the classification amendments. This is because the classification amendments address a more urgent need for our members, will not take so long to implement and are unlikely to create the need to restate prior periods.

Question 2—Classification of financial assets—contractual terms that are consistent with a basic lending arrangement

Paragraphs B4.1.8A and B4.1.10A of the draft amendments to IFRS 9 propose how an entity would be required to assess:

(a) interest for the purposes of applying paragraph B4.1.7A; and
(b) contractual terms that change the timing or amount of contractual cash flows for the purposes of applying paragraph B4.1.10.

The draft amendments to paragraphs B4.1.13 and B4.1.14 of IFRS 9 propose additional examples of financial assets that have, or do not have, contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Paragraphs BC39–BC72 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree, please explain what aspect of the proposals you disagree with. What would you suggest instead and why?

We are supportive of the approach taken by the IASB to tackle the urgent challenges posed by the increasing importance of including ESG linked features in financial assets. We consider that the proposals go a long way to meeting the main concerns in accounting for these features.

Whilst our members are overall supportive of the proposed approach, there is one point in particular that it would be helpful to ensure is addressed in the final amendments. Many commercial loans include contingent features such as adverse cost clauses, where the lender is able to pass on to the borrower unexpected increases in its own costs relating directly to a loan due to various factors, such as changes to the regulatory capital regime, tax requirements or other legal changes. We are concerned that the reasoning in B4.1.10A, that a change in contractual cash flows must be specific to the debtor, also described in BC67, could be understood as resulting in the presence of these adverse cost clauses causing loans to fail SPPI. This would be a problem as many loans that are currently considered to pass SPPI would fail on this basis, which our members think would be inappropriate. A solution could be to clarify that where the contingent feature protects the lender against unexpected increases in costs that relate directly to the loan, these would be covered by the existing reference in B4.1.7A that administrative costs associated with holding the financial asset are consistent with a basic lending arrangement. Compensation for these costs would be an element of interest as described in B4.1.8A, so further analysis against B4.1.10A would not be required.

Following on from the point above, we suggest the amendments could be clearer that when contractual cash flow features represent changes to the compensation for an element of interest in a basic lending arrangement as described in B4.1.8A, assessment under B4.1.10A would not be required. For cash flows that represent different elements of interest and are consistent with a basic lending arrangement, if those cash flows satisfy B4.1.8A, their assessment would be complete. Following this approach, B4.1.10A would be applied to those contractual cash flows that change in response to whether or not the borrower meets a target, such as a key performance indicator relating to an ESG feature which is different to an element of interest as assessed under B4.1.8A. The proposed conditions in B4.1.10A would apply to these features to assess whether they are consistent with the contractual cash flows being considered as SPPI.

Another area that would benefit from clarification relates to where loans are linked to ESG targets that are set on a group-wide basis rather than at the level of an individual legal entity that has entered into the loan. ESG targets are most effective and relevant when the whole group works towards achieving them so are often set at a group-wide level. The role of individual legal entities may not be relevant. Consider the example of a food manufacturing company which raises finance through a treasury legal entity, but its production processes are held in a separate legal entity. The group's emissions come predominately from its production activities, which the treasury legal entity has no ability to influence. In this example, the 'debtor' as described in B4.1.10A needs to refer to the whole group rather than the individual legal entity that may have entered into a loan that includes ESG-linked features.

With respect to the concept introduced in B4.1.8A that a change in contractual cash flows should be aligned with the direction and magnitude of the change in basic lending risks or costs, our members request that this concept is clarified. There could be instances when the interest rate of a loan changes if customer related KPIs change, which may not always obviously align with the direction and magnitude of a change in lending risks or costs, e.g.,

the customer KPI may have no relationship to the risks and costs of the loan but be included in the terms of the loan anyway as a term which is 'common in the market', as envisaged by B4.1.8A. Also, the concept seems to be inconsistent with the statement earlier in paragraph B4.1.8A that it is what an entity is being compensated for rather than how much compensation an entity receives, as the concept of 'magnitude' could be understood as meaning 'how much'. Lastly, our members are unsure how the proposed concept interacts with the existing requirements on leverage in the existing paragraph B4.1.9. It would be helpful if in the final amendments the direction and magnitude and its objective were explained in more detail to address these concerns.

Our members appreciate the inclusion of examples to illustrate how to apply the amendments. Those proposed in B4.13 and B4.14 provide useful illustrations for how B4.1.10A would be applied to contrasting scenarios where contingent features are specific to the debtor and where they are not. It would be helpful if further examples could be added that cover social and governance-linked features, to indicate the types of features that could satisfy SPPI. We note that assessing SPPI is an inherently judgmental area, and it could therefore be unhelpful if the final examples are overly complex compared to those in the ED.

We suggest an additional example could be included based on the following real-life scenario:

A bank extends a loan with a governance-linked feature that is based on a new hire diversity percentage. The loan facility describes new hire diversity as the total number of employees of the borrower and their respective subsidiaries, who self-identify as women or minorities, that began their employment during the prior fiscal year, as calculated at the end of a fiscal year. The target is 50%. If the percentage exceeds the target, the interest rate margin on the loan reduces by a fixed number of basis points, if it is in the range of 48% to 50% the interest rate margin stays the same and if it is below 48% the interest rate margin increases by a fixed number of basis points. The example could be as follows:

B4.1.13

Instrument	Analysis
Instrument EB Instrument EB is a loan where the interest margin is periodically adjusted by a specific number of basis points by reference to a contractually specified target of new hire diversity for the debtor and its subsidiaries during the preceding reporting period. If the target is exceeded in the preceding period, the margin reduces in the subsequent period. If the target is met the margin reverts to the original contractual rate. If the target is not met, the margin increases.	The contractual cash flows are solely payments of principal and interest on the principal amount outstanding. The changes to the contractual cash flows due to contingent events are contractually specified and determinable. The occurrence of the contingent event (achieving a contractually specified target in new hire diversity) is specific to the debtor group. The contractual cash flows arising from the occurrence (or non-occurrence) of the

	contingent event are in all circumstances solely payments of principal and interest on the principal amount outstanding and consistent with a basic lending arrangement. The change in cash flows are not misaligned with basic lending risks or costs. The contractual cash flows represent neither an investment in the debtor nor an exposure to the performance of specified assets.

Question 3—Classification of financial assets—financial assets with non-recourse features

The draft amendments to paragraph B4.1.16 of IFRS 9 and the proposed addition of paragraph B4.1.16A enhance the description of the term 'non-recourse'.
Paragraph B4.1.17A of the draft amendments to IFRS 9 provides examples of the factors that an entity may need to consider when assessing the contractual cash flow characteristics of financial assets with non-recourse features.

Paragraphs BC73–BC79 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree, please explain what aspect of the proposals you disagree with. What would you suggest instead and why?

We appreciate the IASB trying to address the challenges posed by financial assets with non-recourse features. Our members support what is proposed in the ED.

Question 4—Classification of financial assets—contractually linked instruments

The draft amendments to paragraphs B4.1.20−B4.1.21 of IFRS 9, and the proposed addition of paragraph B4.1.20A, clarify the description of transactions containing multiple contractually linked instruments that are in the scope of paragraphs B4.1.21−B4.1.26 of IFRS 9.

The draft amendments to paragraph B4.1.23 clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements of IFRS 9.

Paragraphs BC80–BC93 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree, please explain what aspect of the proposals you disagree with. What would you suggest instead and why?

We appreciate the IASB considering the issues associated with contractually linked instruments (CLI) We have some suggestions for how they might be further improved.

One particular area of challenge experienced by our members in applying the existing CLI guidance relates to the assessment of residual value guarantees provided by the sponsor of assets put into a securitisation structure. A common instance of this arises in relation to auto loans. We suggest to clarify the guidance in B4.1.25 which discusses how judgment should be applied in assessing whether an instrument within the pool causes SPPI to be failed. In particular, when determining whether an instrument has a de minimus effect for the purpose of assessing SPPI, features such as residual value guarantees on auto loans should be assessed for materiality against the cash flows of the whole pool rather than on an individual instrument by instrument basis.

We note that at the IASB meetings in September and November 2022 there was some helpful discussion in the staff papers which covered the background to the proposed amendments for financial assets with non-recourse features and the CLI requirements and how they should be applied[2]. We suggest that more of the detail from those papers should be included in the final amendments to provide additional clarity, either in the standard itself or in the basis for conclusions.

In particular, the staff paper 16B presented at the September 2022 contains a lot of useful application guidance on the definition of CLI and only a small element of that is expressed in the proposals. We think more of this guidance should be included in the final amendments which in our view will contribute to consistency in application and comparability across preparers. The high-quality detailed work and thought has already been performed by the IASB and all that is needed is just a further step which is to include this in the final amendments. We consider that the staff can incorporate this guidance into the application guidance or basis for conclusions of the final amendments. In particular, we recommend that the following extract from paragraph 38 of the September 2022 staff paper is included since this provides clear guidance on how to distinguish between NRF and CLI structures where there are multiple tranches of debt (without this clarification the standard would remain unclear on these structures):

In a scenario that the underlying pool performs poorly, insufficient cash flows from the underlying pool of financial assets to make payments of interest and principal on the tranches according to their place in the waterfall payment structure do not trigger a default of the issuer, but rather reduce the contractual rights of the holders of the affected tranches to receive cash flows. This feature distinguishes a CLI structure from other forms of subordination such as the creditor ranking, whereby the contractual rights to receive cash flows would generally remain unaffected.

In terms of the additional paragraph B4.1.20A we are supportive of the concept that a junior instrument held by a sponsor should not be counted when assessing whether there are

[2] Papers from the September 2022 meeting included the General requirements LINK and detailed discussion on financial assets with non-recourse features and contractually linked instruments LINK.

At the November 2022 meeting, there was a paper on contractually linked instruments, sweep issue LINK

multiple contractually linked instruments. Our members think the wording needs to be amended slightly, particularly the sentence:

Such transactions do not contain multiple contractually linked instruments because the structured entity is created to facilitate the lending transaction from a single creditor.

In some cases, a bank may originate a single tranche of senior debt with the junior instruments held by the sponsor. The bank may syndicate part of the senior debt to reduce concentration risk. We do not think that a subsequent syndication of a pro rata share of a single external debt tranche should impact the analysis of whether the instrument is a CLI or not. We think the focus for this paragraph should be the number of debt tranches with different credit concentrations. If there are only two debt tranches with the junior instrument held by the sponsor and the external creditors hold between them a single pari passu tranche– then this should not be a CLI. We would suggest this sentence is amended to:

> *Such transactions do not contain multiple contractually linked instruments because the structured entity is created to facilitate the lending transaction from a single debt instrument from creditor(s)*

Consistent with the suggested additions noted above, we consider that it would be helpful to include a definition of some of the key terms associated with CLI type structures. This would include defining what is meant in IFRS 9 when it discusses a 'tranche' in order to help the terms to be understood and applied consistently.

Question 5—Disclosures—investments in equity instruments designated at fair value through other comprehensive income

For investments in equity instruments for which subsequent changes in fair value are presented in other comprehensive income, the Exposure Draft proposes amendments to:

(a) paragraph 11A(c) of IFRS 7 to require disclosure of an aggregate fair value of equity instruments rather than the fair value of each instrument at the end of the reporting period; and

(b) paragraph 11A(f) of IFRS 7 to require an entity to disclose the changes in fair value presented in other comprehensive income during the period.

Paragraphs BC94–BC97 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree, please explain what aspect of the proposals you disagree with. What would you suggest instead and why?

Our members have no comments on these proposals.

Question 6—Disclosures—contractual terms that could change the timing or amount of contractual cash flows

Paragraph 20B of the draft amendments to IFRS 7 proposes disclosure requirements for contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event. The proposed requirements would apply to each class of financial asset measured at amortised cost or fair value through other comprehensive income and each class of financial liability measured at amortised cost (paragraph 20C).

Paragraphs BC98–BC104 of the Basis for Conclusions explain the IASB's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, please explain what aspect of the proposal you disagree with. What would you suggest instead and why?

With regard to the proposed disclosures for financial instruments at amortised cost which contain contingent features, we are concerned that they will capture a large number of items for which the disclosures will not provide useful information. Many financial instruments contain contingent features that would result in changes to the contractual cash flows. The proposed disclosures would result in extensive information being gathered due to unrelated changes, which would be very difficult to present in a meaningful way. Also, the data would be difficult for preparers to capture and reconcile to other financial records because it has not previously been subject to external reporting, giving rise to a significant incremental reporting burden. In addition, it is not clear to our members what information need for users the disclosure is intended to address.

A common example of the type of feature that would be captured relates to loans where the interest rate will increase if the borrowers' credit rating declines. This is a reasonably standard feature in many loans and is present to encourage companies to refinance if and when their credit standing changes or to compensate the lender for the increased credit risk in the event the loan remains outstanding and is not refinanced. Another example is adverse cost clauses included in loans to protect the lender from having to bear the full cost of tax or other legislative changes. Without these clauses, the lender would have to charge an additional risk premium, so their inclusion reduces the cost for the borrower. The existing IFRS 7 disclosures do not capture these features and have not been identified as being deficient in this respect. These types of features could be considered to be an element of interest consistent with a basic lending arrangement as described in B4.1.8A. To the extent the contingent cash flow features fall within the guidance in this section of the amendments, we propose they should not be captured in the disclosure. This would have the effect of scoping out from the disclosure those changes to contractual cash flows that relate to the changes in the credit risk of the borrower and contingent cost clauses. It would also include where instruments are prepayable at the option of the borrower. The new disclosure could then focus on highlighting financial instruments with features that are assessed under B4.1.10A and meet the proposed additional conditions included in that paragraph to be considered SPPI. If the new disclosure captured these instruments, we anticipate it would include those with contingent cash flows arising from ESG features, information on which is of most interest to users of the accounts.

Question 7—Transition

Paragraphs 7.2.47–7.2.49 of the draft amendments to IFRS 9 would require an entity to apply the amendments retrospectively, but not to restate comparative information. The amendments also propose that an entity be required to disclose information about financial assets that changed measurement category as a result of applying these amendments.

Paragraphs BC105–BC107 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree, please explain what aspect of the proposals you disagree with. What would you suggest instead and why?

For the proposed amendments to the initial recognition and derecognition requirements, as discussed in our response to question one above, our preference is that these proposals are separated from the other amendments and a project established.

We note that the time required to implement the changes across all their payment systems and the other consequences of the initial recognition and derecognition amendments may be extensive. Entities would therefore benefit more time to implement these parts of the final amendments than the other proposals, such as those that relate to the characteristics of contractual cash flows, which entities may wish to implement sooner.

If the IASB choose not to establish a separate project, we request that the IASB publish the amendments to the recognition and derecognition requirements separately from the amendments to the characteristics of contractual cash flows and other changes to allow different implementation timetables