สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์
FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

May 25, 2017

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Comment Letter on ED/2017/3 Prepayment Features with Negative Compensation

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to comment on ***ED/2017/3 Prepayment Features with Negative Compensation.*** Overall, we agree these addressed concern and support the classification of financial assets with particular prepayment features would be eligible to be measured at amortised cost or at fair value through other comprehensive income if the conditions are met. We also agree the effective date of the amendments is the same as the effective date of IFRS 9; that is, annual periods beginning on or after 1 January 2018.

Please find our responses to the specific questions raised in ***ED/2017/3 Prepayment Features with Negative Compensation*** in an attachment. We believe that this proposed amendment will help the practitioners in the future and that our comment letter will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself to this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr.Vorasak Tummanond
Chair of Thai Accounting Standards Board
Federation of Accounting Professions of Thailand
Bangkok, Thailand

Copied to:

1) Chairman, Accounting Standard-Setting Committee of Thailand
2) Chairman, Subcommittee on Studying Monitoring of International Financial Reporting Standards
3) President, Federation of Accounting Professions of Thailand

Exposure Draft ED /2017/3 Prepayment Features with Negative Compensation Proposed amendments to IFRS 9

Question 1 – Addressing the concerns raised
Paragraphs BC3–BC6 describe the concerns raised about the classification of financial assets with particular prepayment features applying IFRS 9. The proposals in this Exposure Draft are designed to address these concerns. Do you agree that the Board should seek to address these concerns? Why or why not?

FAP : We generally agree with the proposed amendments on Basis of Conclusion – Prepayment Features with Negative Compensation since it helps clarify the concern raised and will help entities to have a better understanding on principle and exception which help them in assessment and classification the particular assets. We believe that this will result in more consistent application.

Question 2—The proposed exception
The Exposure Draft proposes a narrow exception to IFRS 9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. Specifically, the Exposure Draft proposes that such a financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held, if the following two conditions are met: (a) the prepayment amount is inconsistent with paragraph B4.1.11(b) of IFRS 9 only because the party that chooses to terminate the contract early (or otherwise causes the early termination to occur) may receive reasonable additional compensation for doing so; and (b) when the entity initially recognises the financial asset, the fair value of the prepayment feature is insignificant. Do you agree with these conditions? Why or why not? If not, what conditions would you propose instead, and why?

FAP : We agree with these proposed conditions which amend paragraph B.4.1.12A as presented in the Exposure Draft as this clearly clarify the assessment of the business model in which it is held if the two specific conditions are met

Question 3—Effective date
For the reasons set out in paragraphs BC25–BC26, the Exposure Draft proposes that the effective date of the exception would be the same as the effective date of IFRS 9; that is, annual periods beginning on or after 1 January 2018 with early application permitted. Do you agree with this proposal? Why or why not? If you do not agree with the proposed effective date, what date would you propose instead and why? In particular, do you think a later effective date is more appropriate (with early application permitted) and, if so, why?

FAP : We agree with the proposal that the effective date of the exception would be the same as the effective date of IFRS 9 i.e. for annual periods beginning on or after 1 January 2018 because it will be more efficient for the financial statements preparer to properly classify and measure the prepayable financial assets and for financial statements users to consistently understand the transactions.

Question 4—Transition
For the reasons set out in paragraphs BC27–BC28, the Exposure Draft proposes that the exception would be applied retrospectively, subject to a specific transition provision if doing so is impracticable. (a) Do you agree with this proposal? Why or why not? If not, what would you propose instead and why? As described in paragraphs BC30–BC31, the Exposure Draft does not propose any specific transition provisions for entities that apply IFRS 9 before they apply the exception. (b) Do you think there are additional transition considerations that need to be specifically addressed for entities that apply IFRS 9 before they apply the amendments set out in the Exposure Draft? If so, what are those considerations?

FAP :

(a) We do agree with this proposal that the exception would be applied retrospectively, subject to a specific transition provision if doing so is impracticable. We propose the option for the entity to apply prospectively either, since it is possible that some entities might not have sufficient information to make reliable fair value of financial assets with prepayment features.

(b) We agree if there are additional transition considerations that need to be specifically addressed for entities that apply IFRS 9 before they apply the amendments, since an entity applies each of the transition requirement in IFRS 9 only once so it may need additional transition considerations specific to entities that would apply the proposed amendments after they apply IFRS 9 with the latter effective date as discussed in Question 3 if the additional transition provisions would be relevant to a larger population.