

**Organismo Italiano di Contabilità – OIC
(The Italian Standard Setter)**

Italy, 00187 Roma, Via Poli 29
Tel. 0039/06/6976681 fax 0039/06/69766830
e-mail: presidenza@fondazioneoic.it

IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom
ifric@ifrs.org

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Re: IFRS Interpretations Committee tentative agenda decision: IFRS 9 Financial Instruments—Modifications or exchanges of financial liabilities that do not result in derecognition

Dear Ms Lloyd,

We are pleased to have the opportunity to provide our comments on the IFRS Interpretations Committee (IFRS IC) tentative agenda decision on the accounting for a modification or exchange of a financial liability measured at amortised cost.

We think that this issue cannot be solved with non-authoritative guidance, because there is divergence in practice in applying the requirements in IAS 39 on modifications of financial liabilities. We believe that this issue is widespread and may have a significant impact on entities that, under IAS 39, do not recognise a gain or loss in profit or loss at the date of the modification.

We believe that this issue should be addressed issuing authoritative guidance (ie an Interpretation or an Amendment to IFRS 9) because this would allow for appropriate transitional provisions to be applied to modifications occurred in past years.

The tentative agenda observes that, if an entity changes its accounting policy for modifications or exchanges of financial liabilities that do not result in derecognition as a result of the initial application of IFRS 9, then the entity applies the transition requirements in IFRS 9, which require retrospective application subject to particular relief as specified in Section 7.2 of IFRS 9. We think that an entity should be permitted to apply the IFRS 9 requirements on modifications of financial assets and liabilities prospectively. In our view, it could be considered to include such an amendment to the transitional provision of IFRS 9 in the forthcoming Amendment to IFRS 9 on Prepayment Features with Negative Compensation.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,
Angelo Casò
(Chairman)