

Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

23 November 2021

Dear Sue

Tentative agenda decision - Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)

We are pleased to comment on the above tentative agenda decision.

We do not disagree with the technical analysis presented in the tentative agenda decision based on the fact pattern that has been analysed. However, our outreach since the tentative agenda decision was published indicates that the technical analysis of the issue raised by the submitter of the question has broad and pervasive implications beyond the fact pattern presented, which we believe will require standard setting to address.

The fact pattern included in the submission relates to a single electronic transfer system, but the analysis provided in the tentative agenda decision would result in entities having to reconsider their approaches for a wide range of payment systems, as well as other more traditional forms of payment settlement, including the issuance of cheques. This is because the analysis considers that for an amount receivable (or amount payable) to be derecognised, the derecognition criteria in IFRS 9 must be met. In many cases, the derecognition criteria might not be met until the point when payment ultimately clears and is settled in the bank account of the recipient. Based on our outreach, in many cases, this would differ significantly from the approach which has been followed for many years in multiple jurisdictions, where a receivable or payable may be derecognised at an earlier point (e.g. when a payment is initiated, when a cheque is written, when a cheque is deposited, etc.).

Consequently, we believe that it would not be appropriate to finalise the agenda decision as it would result in widespread and pervasive changes to how entities account for common transactions, with the costs to entities of adopting the approach set out in the tentative agenda decision being very likely significantly to exceed the benefits.

Instead, the IFRS Interpretations Committee should refer the issue to the Board in accordance with section 8.2(d) of the Due Process Handbook. It is likely that the issue could be addressed efficiently as part of the IFRS 9 post-implementation review, which is presently underway.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at abuchanan@bdoifra.com.

Yours faithfully

Andrew Buchanan

Global Head of IFRS and Corporate Reporting