

IFRS 9 Classification and Measurement

Talking points for episode 143



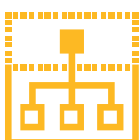
The post-implementation review ('PIR') usually takes place a few years after a new standard has been applied in order to gather feedback from stakeholders on how well the standard has been applied in practice, and whether this aligns with the objectives of the standard. The outcome of a PIR can be standard-setting projects.



The [feedback statement](#) of the classification and measurement PIR summarises the outcome of the PIR. The three key projects which have resulted in possible standard setting include (1) contractual cash flow characteristics, (2) electronic cash transfers, and (3) amortised cost and the effective interest method. The podcast focuses on the first two issues, which have resulted in proposed narrow amendments to IFRS 9. Comment letters on the exposure draft can be [submitted](#) by 19 July 2023.



Contractual cash flow characteristics of a basic lending arrangement: this project was initially prompted by the prevalence of loans with ESG-linked features. The IASB has proposed narrow amendments by clarifying the principles that should be considered in determining whether the cash flows represent a basic lending arrangement. The amendments include two new examples on whether an ESG-linked loan would meet the solely payments of principal and interest ('SPPI') requirements. In addition, the amendments clarify that, if cash flows are contingent on the occurrence or non-occurrence of an event, the event must be specific to the borrower. Where this clause triggers compensation, the direction and amount of that compensation should be in line with the basic lending risk.



Contractual cash flow characteristics of contractually linked instruments ('CLIs'): the amendments clarify how and whether you apply the SPPI guidance if there are assets in the underlying pool of instruments that are outside the scope of IFRS 9. In addition, the IASB has proposed amendments in the scenario where a structure consists of a senior and a junior tranche in which the sponsor purchases the junior tranche. The amendments propose an approach which would result in such structures falling outside the scope of a CLI.



Electronic cash payment systems: this project initially arose through a submission to the IFRS Interpretations Committee ('IFRIC'). The amendments focus on the scenario in which an entity makes a payment through an electronic cash system and the implications this has on the derecognition of cash and trade payable. The amendments clarify the principles surrounding settlement date accounting. The amendments also propose an exception to allow the derecognition of the trade payable when the cash payment is initiated, where certain criteria are met. The criteria include that the entity has no practical ability to access the cash, the entity does not have the ability to withdraw or stop the cash payment that has been initiated, and the settlement risk is low.

An effective date will be provided for the adoption of these amendments.