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International Accounting Standards Board
30 Cannon Street
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1 June 2017

Re: IASB ED/2017/3 Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)

Dear Hans,

We are pleased to have the opportunity to provide our comments on the IASB ED *Prepayment Features with Negative Compensation - Proposed amendments to IFRS 9* (the "ED").

As a starting point we believe it is important to understand if the prepayment features with negative compensation are different from prepayment features with positive compensation. We note that whilst in the case of positive compensation the entity will collect at least the principle of the loan, in case of negative compensation there is the risk that the entity may not collect such a principal. This is because only in the case of a negative compensation the holder of the financial asset is exposed to the risk to collect an amount lower than the principal. The two situations are therefore different and expose the entity to different risks.

We therefore understand why the IASB in IFRS 9 provided an exception to the requirements in IFRS 9 for the classification and measurement of financial assets for loans with prepayment option with positive compensation and why, on the contrary, it did not provide a similar exception for prepayment option with negative compensation.

With the proposed amendment the IASB:

- is extending the current exception for prepayment options with positive compensation to those with negative compensation and

- is proposing the second eligibility condition to limit the scope of the proposed exception to a population of financial assets for which amortised cost can provide useful information.

We think that, according with the SPPI test, fair value measurement would be more appropriate in case of a debt instrument with a prepayment option with negative compensation, because, as stated above, in this case the holder of the financial asset is exposed to the risk to collect an amount lower than the principal. However, we understand these amendments if they effectively address a widespread issue relating to a limited population of financial instruments for which the existence of prepayment features with negative compensation could coexist with the SPPI test.

We think that the second condition proposed by the IASB is needed as a safeguard in response to the objective to make applicable the exception to a limited and well-defined number of prepayment options.

Additionally we note that BC 24 explains that an instrument, which in case of prepayment compensates the borrower for the change in only part of the interest rate, meets the condition a) for being measured at amortised cost or FVTOCI. Consequently, we suggest to include in the body of the amendments the guidance in paragraphs BC22-24 of the ED.

On transition, we suggest that the exception to IFRS 9 should be applied retrospectively and in case of impracticability, prospectively. Among the cases of impracticability there could be an absence of timing to implement adequately the amendment considering the effective date of IFRS 9.

In relation to the process, we find unusual the timing of this amendment, so close to the first-time adoption of IFRS 9. We therefore suggest the IASB to better explain in the Basis for Conclusions why it decided to propose these amendments at this time and with this "fast-track" process.

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

Yours sincerely,

Angelo Casò

(Chairman)