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IFRS Interpretations Committee
30 Cannon Street
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Re: Interpretations Committee tentative agenda decisions

Dear Wayne,

We are pleased to have the opportunity to provide our comments in order to contribute to the IFRS IC agenda decision (issued in March 2014) on IAS 1 – "*Disclosure requirements relating to assessment of going concern*" and on IAS 39 – "*Classification of hybrid financial instrument by the holder*".

IAS 1 – "Disclosure requirements relating to assessment of going concern"

The issue relates to the clarification about the disclosures required in relation to material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.
We note that at its meeting in November 2013 the IASB also discussed this issue and decided not to amend requirements of IAS 1.
We note that the Interpretations Committee at its meeting in March 2014 discussed a different situation from the one discussed by the IASB. In such a different case, in which management of an entity has considered events or conditions that may cast doubt upon the entity's ability to continue as a going concern and concluded that there are no material uncertainties, the Interpretations Committee concluded that reaching this conclusion involved significant judgement and the disclosure requirements of para. 122 of IAS 1 would apply to this judgement.

We note that the Interpretations Committee issuing its tentative decision provide guidance on an unsolicited issue. In the past, we have already suggested Interpretations Committee to be careful that a rejection of an issue does not represent an interpretation. In addition, in any rejection's decision we would like that the Board has been involved.

In this specific case, we note that the Interpretations Committee not only provided additional guidance on an issue already rejected by the Board but it also changed facts and circumstances.

We think that this issue should be resolved by following the normal due-process to issue an interpretation or by transferring to the IASB to clarify whether the disclosure requirements of para. 122 of IAS 1 should apply to the case considered.

IAS 39 – "Classification of a hybrid financial instrument by the holder"

The issue relates to the classification of a hybrid financial instrument with a revolving maturity option, an early settlement option and a suspension of interest payment option by the holder. The submitter raises a question if the host of such financial instrument should be classified by the holder as an equity or as a debt instrument under IAS 39.
The Interpretations Committee, after having carried out outreach activities, observed that the issue is not widespread and that the financial instrument described is specific. In addition, according to the Interpretations Committee, IFRS 9 would resolve the question of whether the instrument should be classified before or after identifying the embedded derivatives because it would not require bifurcation for hybrid contracts with financial assets hosts and a holder would be required to classify the instrument as a whole.

On this position taken by the IFRS IC, we have the following comments.

- Although we recognize that the financial instrument could be specific, we think that similar types of financial instruments with the same or similar features are quite common among financial institutions.

- It is unclear whether IFRS 9 may be a solution. In fact, the holder could classify the hybrid financial instrument as a debt instrument or as equity instrument. In the first case, if the financial asset satisfy two conditions (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) in accordance with para. 4.1.2 of IFRS 9, it shall be measured at amortised cost. If these conditions are not satisfied, the debt instrument shall be measured at fair value through profit or loss. In the other case in which the entity classifies the hybrid financial instrument as an equity instrument and this is not held for trading, it could present in other comprehensive income subsequent changes in the fair value of the investment according to para. 5.7.5 of IFRS 9. Therefore, we note that in the case described by the submitter the hybrid financial instrument could be measured at fair value through profit or loss (if the entity classifies it as debt instrument) or at fair value through other comprehensive income (if the entity classifies it as equity instrument that is not held for trading and apply the FVTOCI option).

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

Yours sincerely,
Angelo Casò
(Chairman)