

IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom



DASB secretariat:  
Mercuriusplein 3, 2132 HA Hoofddorp  
Postbus 242, 2130 AE Hoofddorp

Tel: +31 (0)88 4960 391  
secretariaat@rjnet.nl  
www.rjnet.nl

**Our ref:** RJ-IASB 511 A  
**Direct dial:** Tel.: (+31) 88 4960 391  
**Date:** Hoofddorp, 19 juli 2023  
**Re:** Exposure Draft ED/2023/2 ‘Amendments to the Classification and Measurement of Financial Instruments’

Dear members of the IASB,

The Dutch Accounting Standard Board (DASB) appreciates the opportunity to respond to the IASB regarding the Exposure Draft ED/2023/2 ‘Amendments to the Classification and Measurement of Financial Instruments’ (Proposed amendments to IFRS 9 and IFRS 7), issued on 21 March 2023. We generally support EFRAG’s comments as included in their comment letter (included in appendix 1). In addition, we would like to bring the following items to your particular attention:

*Contractual terms that are consistent with a basic lending arrangement*

We expect that the clarifications provided in the ED can generally be applied to financial assets we are familiar with and no difficulties are foreseen here. However, we agree with EFRAG’s observations that a contradiction seems to exist between a requirement of not focusing on “how much” in the beginning of paragraph B4.1.8A of the ED and the requirement to assess the “magnitude” of changes in basic lending risks and costs at the end of the same paragraph. Our interpretation would be that the exact amount would not be part of the analyses but that the amount should not be disproportional and in line with expectation considering the change in basic lending risks or costs.

We share EFRAG’s concerns about potential unintended consequences of the requirement that to be consistent with a basic lending arrangement the occurrence (or non-occurrence) of a contingent event must be specific to the debtor. Specifically financial assets with so called “increased costs clauses” could also be impacted. Such clauses permit the lender to pass an increase in (funding) costs to the borrower and currently may pass the SPPI criterion. Similarly, there is some concern about for example revenue or EBITDA-related covenants, which are common in practice, and for example impact the interest rate (margin) being charged, which we believe is not inappropriate in respect of a basic lending arrangement.

*Contractually linked instruments*

We note that in the scenario included in B4.1.20A, where the structured entity is created to facilitate the lending transaction from a single creditor it is concluded that such a transaction does not contain multiple contractually linked instruments and that it is assumed that the sponsoring entity has no intention to sell the junior notes in the near future. It could be considered to clarify this assumption in the ED.

*Contractual terms that could change the timing and amount of contractual cash flows*

We expect that preparers may not be able to provide these disclosure at a reasonable cost. We concur with EFRAG's observation that the requirements may result in entities having to update their IT systems to collect the necessary information. This could potentially result in significant operational challenges and implementation costs. We are of the opinion that the disclosure requirements could provide useful information to the users of the financial statements. However we have doubts about whether it is necessary to add these requirements separately in IFRS 7. Instead we would suggest to add a principle-based disclosure requirement similar to IFRS 7.IG16 in order to meet the disclosure objectives.

If you have any questions please do not hesitate to contact me.

Yours sincerely,

drs. G.M. van Santen RA

Chairman Dutch Accounting Standards Board

Appendix 1: Draft comment letter EFRAG

EFRAG  
Attn. EFRAG Technical Expert Group  
35 Square de Meeûs  
B-1000 Brussels  
Belgique

DASB secretariat:  
Mercuriusplein 3, 2132 HA Hoofddorp  
Postbus 242, 2130 AE Hoofddorp

Tel: +31 (0)88 4960 391  
secretariaat@rjnet.nl  
www.rjnet.nl

**Our ref:** RJ-EFRAG 623 B

**Direct dial:** +31 (0)88 4960391

**Date:** Hoofddorp, 30 June 2023

**Re:** EFRAG Draft comment letter Amendments to the Classification and Measurement of Financial Instruments

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to provide a response to the EFRAG Draft Comment Letter on the Exposure Draft ED/2023/2 ‘Amendments to the Classification and Measurement of Financial Instruments’ (Proposed amendments to IFRS 9 and IFRS 7), issued by the IASB on 21 March 2023.

We generally support EFRAG’s comments. Hereafter we set out our responses to the questions to constituents as included in EFRAG’s draft comment letter. We have included the numbers of the paragraphs in the draft comment letter containing the questions we are responding to.

*Paragraph 51, 52 and 53 – Derecognition of a financial liability settled through electronic transfer*

We note that the concerns of stakeholders expressed as part of the feedback on a tentative agenda decision about a submission to IFRS IC are not prevalent in the Netherlands as generally the time between the initiation of a payment through a payment instruction and the receipt of the cash by the counterparty is very short.

We agree with limiting the scope of the proposed accounting alternative to electronic payment transfers when specified criteria are met. We agree with the view of EFRAG that widening the scope of the proposed solution to other types of settlements or to the asset side might give rise to a set of conceptual and practical challenges. We agree with the proposed criteria for derecognizing a financial liability before the settlement date.

*Paragraph 95, 96 and 97 – Contractual terms that are consistent with a basic lending arrangement*

We expect that the clarifications provided in the ED can generally be applied to financial assets we are familiar with and no difficulties are foreseen here. However, we agree with EFRAG’s observations that a contradiction seems to exist between a requirement of not focusing on “how much” in the beginning of paragraph B4.1.8A of the ED and the requirement to assess the “magnitude” of changes in basic lending risks and costs at the end of the same paragraph. Our interpretation would be that the exact amount would not be part of the analyses but

that the amount should not be disproportional and in line with expectation considering the change in basic lending risks or costs.

We are of the view that the application of the clarifications would result in financial assets with ESG-linked or similar features meeting the SPPI requirements.

We share EFRAG's concerns about potential unintended consequences of the requirement that to be consistent with a basic lending arrangement the occurrence (or non-occurrence) of a contingent event must be specific to the debtor. Specifically financial assets with so called "increased costs clauses" could be impacted. Such clauses permit the lender to pass an increase in (funding) costs to the borrower and currently may pass the SPPI criterion. Similarly, there is some concern about for example revenue or EBITDA-related covenants, which are common in practice, and for example impact the interest rate (margin) being charged, which we believe is not inappropriate in respect of a basic lending arrangement.

*Paragraph 121 and 122 – Financial assets with non-recourse features*

We consider the updated guidance for financial assets with non-recourse features clear and feasible. Based on our experience in practice we do not expect the proposed clarifications to have an impact on the current classifications of existing financial assets. We note that instruments with non-recourse features are not very common in the Dutch market, but we have not conducted an exhaustive investigation into which type of contracts and features currently exist.

*Paragraph 159 and 160 – Contractually linked instruments*

We consider the updated application guidance for contractually linked instruments clear and feasible. Based on our experience in practice we do not expect the proposed clarifications to have an impact on the current classifications of existing financial assets.

We note that in the scenario included in B4.1.20A, where the structured entity is created to facilitate the lending transaction from a single creditor it is concluded that such a transaction does not contain multiple contractually linked instruments and that it is assumed that the sponsoring entity has no intention to sell the junior notes in the near future. It could be considered to clarify this assumption.

*Paragraph 171 – Investments in equity instruments designated at fair value through other comprehensive income*

We are of the opinion that these disclosure requirements will provide useful information and agree with the argumentation brought forward by EFRAG.

*Paragraph 188 and 189 – Contractual terms that could change the timing and amount of contractual cash flows*

We note that preparers may not be able to provide this disclosure at a reasonable cost. We concur with EFRAG's observation that the requirements may result in entities having to update their IT systems to collect the necessary information. This could potentially result in significant operational challenges and implementation costs.

We are of the opinion that the disclosure requirements could provide useful information to the users of the financial statements. However, we have doubts about whether it is necessary to add these requirements

separately in IFRS 7. Instead we would suggest to add a principle based disclosure requirement similar to IFRS 7.IG16 in order to meet the disclosure objectives.

If you have any questions, please do not hesitate to contact me.

Yours sincerely,

drs. G.M. van Santen RA, Chairman Dutch Accounting Standards Board