



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

16 August 2021

Ms. Sue Lloyd
Chair of the IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Our REF: 2021/O/C1/IFRIC/MS/56

RE: Tentative Agenda Decision – TLTRO III Transactions (IFRS 9 and IAS 20)

Dear Ms. Lloyd,

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Auditing and Disclosure (Committee 1) thanks you for the opportunity to provide our comments on the IFRS Interpretations Committee (IFRS IC) tentative agenda decision, *TLTRO III Transactions* (TAD).

IOSCO is committed to promoting the integrity of the international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect the general consensus among the members of Committee 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

We appreciate the IFRS IC addressing this topic to support preparers in their application of International Financial Reporting Standard (IFRS) 9, *Financial Instruments* (IFRS 9) and International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance* (IAS 20) to the fact pattern submitted. We do not disagree with the explanations provided in the TAD with regard to the application of IFRS 9 to the fact pattern in the submission, however, some members of Committee 1 believe that the IFRS IC should provide further guidance regarding whether the conditions attached to the interest rate should be reflected in the estimates and revisions of expected future cash flows when determining the effective interest rate. Those members do not believe that waiting to address the issue as part of the IFRS 9 post-implementation review will provide a timely response for entities participating in the TLTRO III or other refinancing programs in the near future.



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With regard to the applicability of IAS 20, we acknowledge that this determination requires judgment. However, given the specificity of the facts and circumstances presented in the submission, we believe the IFRS IC has the ability to make the necessary judgments to reach conclusions regarding the applicability of IAS 20 and could include those conclusions in a final agenda decision. Further, given the broad applicability of the issue, we believe it is important to reduce the accounting diversity that currently exists amongst issuers that receive TLTRO III loans.

Specifically, we believe the IFRS IC can conclude on whether the interest rates on the TLTRO III loans represent a below-market rate. Some Committee 1 members believe that the European Central Bank (ECB) uses the TLTRO program as part of its monetary policy objectives to set market rates and makes the same arrangements available to all qualifying institutions. Thus, because the ECB is the market-maker with respect to these arrangements, they do not believe that the arrangements represent below-market rates of interest as per IAS 20. Meanwhile, other Committee 1 members believe that the interest rate on the loans, when considering the adjustments for meeting various lending thresholds and the basis points reduction in response to the Covid-19 pandemic, do represent a below-market rate of interest. Further, we believe the IFRS IC could conclude on whether the ECB represents an international government, governmental agency or similar body, as defined in IAS 20. Members believe that these are questions where the IFRS IC could provide guidance on how to evaluate whether central bank programs constitute below market rates and whether an international central bank constitutes an international government, governmental agency or similar body and in doing so, the IFRS IC could reduce diversity in practice.

We appreciate your thoughtful consideration of the views provided in this letter.

If you have any questions or need additional information, please do not hesitate to contact Cameron McInnis, Chair of the Accounting Subcommittee of Committee 1 at +1 416-593-3675 or myself. In case of any written communication, please mark a copy to me.

Yours sincerely,

Makoto Sonoda
Chair
Committee on Issuer, Accounting, Audit and Disclosure
International Organization of Securities Commissions