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Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
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Presentation of negative interest rates in the statement of comprehensive income

Dear Mr Upton

The European Banking Authority (EBA) has a strong interest in promoting sound and high quality accounting and disclosure standards for the banking and financial industry, as well as transparent and comparable financial statements that would strengthen market discipline.

The EBA has considered IFRS Interpretations Committee's (IFRS IC) decision¹ on the presentation of negative interest rates in the statement of comprehensive income. The EBA acknowledges the IFRS IC decision to consider the interaction of the presentation of income and expenses arising on financial instruments with a negative yield with the requirements in IFRS 9 *Financial Instruments* and to refrain from finalising its decision on this issue until the completion of the redeliberations on IFRS 9. However, considering that the final IFRS 9 was published in July 2014, we believe that the issue could now be reassessed and a final decision could be made.

Since the last IFRS IC decision, the ECB decided to apply negative interest on the amount of deposits which are above a certain limit, and the recent macro-economic developments in EU have created uncertainty regarding the time period during which the negative yields may exist. We also understand that negative yields may affect a broader scope of financial instruments (such as sovereign debt securities).

In the absence of clarity on the presentation of negative interest in IFRS, divergence of accounting practices on this matter might develop. This was also noted by IFRS IC based on an informal outreach with some audit firms². In this regard, the EBA is concerned that the diversity of accounting practices could have an adverse impact on the comparability and transparency of banks' financial statements and disclosures related to the performance of their assets and some commonly used financial ratios of banks (such as the net interest margin).

¹ <http://media.ifrs.org/2013/IFRIC/January/IFRIC-Update-January-2013.html#10>

² Footnote 2 of paragraph 3 of IFRIC Staff Paper September 2012:
<http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2012/September/141209AP14%20-%20IAS%2039%20-%20presentation%20of%20income%20and%20expense.pdf>

These would in turn have an impact on the comparability of the banks' regulatory returns to supervisors, especially where IFRS is used as the basis for these returns (for instance FINREP regulatory reporting in the EU).

For these reasons, the EBA encourages the IFRS IC (or the IASB) to reconsider this issue and to provide clarification on the presentation for these instruments in the financial statements.

If you have any questions regarding the above, please do not hesitate to contact us. We look forward to hear your views on this issue.

Yours sincerely

(signed)

Andrea Enria