acteo Association pour la participation des entreprises françaises à l'harmonisation comptable internationale

The IFRS Interpretations Committee,

7 Westferry Circus,

Canary Wharf,

London E14 4HD,

United Kingdom

Paris, 4 November 2021

Dear Ms Lloyd,

Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)

We are writing in response to the tentative agenda decision "Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)" (agenda decision) which has recently been published for comment.

By means of an introduction to the subject, we would state that this is the second successive occasion recently on which the IFRS Interpretations Committee (IFRIC) has called into question accounting practices which have been in place and accepted for many years and which do not appear to have been called into question or thought to compromise the quality of published financial statements and the usefulness of the information they provide. Thus, the tentative agenda decision relating to the accounting for retirement benefits means that French issuers will have to restate the opening balances, including equity, in their financial statements for significant amounts of heretofore unrecognized income while derecognizing expenses which will have to be accounted for once again in the future, thus incurring a number of costs, including those of having new actuarial computations performed. We doubt whether such restatement is useful for users and whether the cost/benefit balance of such a change is positive. It seems to us that the stability and continuity of accounting methods that have been unchanged since the adoption of IFRS in 2005 should be given preference over yet another exercise in the restatement of prior-period comparatives.

The same issue is raised by the tentative agenda decision on electronic payments. Beyond the technical analysis, about which we will have more to say below, this latest agenda decision will probably bring in its wake a full re-examination of all payment methods, whether they be receipts or payments, even though the its scope is ostensibly limited to a certain category of payment methods. It is equally likely that this IFRS 9-based analysis once applied to all payment methods will lead to changes in practice, once again resulting in disruption of line-items which may be of crucial importance to some companies and onerous modifications to reporting systems and treasury management tools. As stated above, we think that stability in practices established for many years, when accompanied by transparency in the notes to the financial statements (which might perhaps be enhanced), is far preferable to a sudden and disruptive change. In our view, destabilizing effects such as these should be taken into account whenever IFRIC considers whether or not to take any further a submission made to it.

As far as the technical analysis laid out in the agenda decision and the tentative conclusions drawn go, we understand that the IFRIC considers that IFRS 9 should be applied both to the derecognition of the client receivable and to the recognition of the cash. We also understand that the IFRIC has approached the derecognition of the receivable by analogy with the application of IFRS 9's criteria for the derecognition of a debt.

In respect of the derecognition of the receivable, we agree that this should depend on the facts and circumstances and the legislative environment of the entity. It would thus seem to us to be useful to reproduce in the text of the agenda decision the two examples laid out in paragraph 36 of the agenda paper describing the factors that should be taken into account when undertaking the analysis. It might also be appropriate to analyse the rights and obligations that exist between the bank and the customer once the payment has been initiated by the third party, in order to identify who has control of the cash in transit. One might therefore conclude that the initiation of the payment by the third party transforms the entity's client receivable into a receivable from the bank during the period of transit. This asset which is of a very specific nature because of its very liquid character might usefully be presented as a separate line-item and analysed in the light of the definition of cash equivalents.

As far as the accounting for the cash is concerned, we understand from the paper's analysis that the entity is considered not have control of the cash until it is accounted for by the bank in the entity's account. It seems to us that this approach calls into question the notion of cash in transit and the usefulness of performing cash-to-bank reconciliations. If we take the example of cheques, when the entity isolates the cheques issued or received on a specific internal account, they are nonetheless presented in a specific treasury account in the balance sheet under current practice. The same is true of credit card payments which pass through specific accounts for items awaiting value recognition at the bank, which are also included in a treasury caption.

In conclusion, we are of the opinion that the IFRIC should carry out the following work before coming to a definitive conclusion:

- Analyse the cost/benefit balance of the expected impact of the agenda decision; and
- Approach the issue also through a study of the effect on presentation when analysed from the point of view of the definition of cash and cash equivalents.

If you require any further information on this subject, please do not hesitate to contact us.

Yours sincerely,

ACTEO

Lise CHORQUES