

**Organismo Italiano di Contabilità – OIC  
(The Italian Standard Setter)**

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**Income and expenses arising on financial instruments with a negative yield –  
presentation in the statement of comprehensive income**

Dear Wayne,

We are pleased to have the opportunity to provide our comments on the IFRS IC tentative rejection notice on the IAS 39 Negative interest rates: implications for presentation in the statement of comprehensive income.

*As mentioned in our comment letters on *Review of the operational efficiency and effectiveness of the IFRS IC* and *Status on Trustees Strategy Review*, in our opinion the wording for rejections should not express positions akin to an interpretation, that can result in a change in an accounting practice. Nevertheless, we acknowledge that it might not be always possible to meet the objective to give explanations of the rejections and, in the same time, to avoid interpretations of the wording of the rejections. Moreover, the agenda decisions are published in the IFRS IC Update, which does not have the same authority as IFRSs. Therefore, given the potential impact of the rejections, we think that it would be important that they are approved by the Board. Doing so, the Board would ensure consistency between the potential effects of the explanations of the rejections and the IFRSs. This would attribute more official weight to the Committee's decisions.*

Having said that, on the merit of the question we do not support the IFRS IC tentative decision to present the interest resulting from a negative interest rate on a financial asset in some other appropriate expense classification and not as interest revenue for the following three reasons:

- from the point of view of the banking business, the cost resulting from a negative interest rate on a financial asset is managed as part of deposits/loan activity because it contributes to the determination of the net interest margin;

- it cannot be considered as an expense because it is not related to any service;
- in order to qualify the proper nature of negative interests in the statement of comprehensive income, IFRS IC should make reference to the general definition of interest (time value of money, credit risk, etc.) rather than to the specific definition of interest revenue.

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

Yours sincerely,

Angelo Casò  
(Chairman)