

29 January 2016

Mr. Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

**Re: Comment on the tentative agenda decision on IFRS 9 *Financial Instruments*
and IAS 39 *Financial Instruments: Recognition and Measurement* – Derecognition
of modified financial assets**

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcomes the opportunity to provide comments on the IFRS Interpretation Committee’s (the “Committee”) tentative agenda decision on IFRS 9 *Financial Instruments*/IAS 39 *Financial Instruments: Recognition and Measurement* - Derecognition of modified financial assets in the IFRIC Update in November 2015.
2. We agree with the Committee’s decision not to add this issue to its agenda because it is too broad for the Committee to address within the confines of existing IFRSs.
3. At the same time however, the deliberation by the Committee thus far has shown that there is a clear need for the IASB to comprehensively review the accounting requirements for derecognition of financial assets. Through the discussion with our constituents, we have also been informed that they are not just important for financial statements of financial institutions but for those of non-financial entities.
4. Having regard to the circumstances, we think that it is at least undesirable if the IASB leaves the lack of clarify and consistency unaddressed.
5. We also think that the success of a comprehensive review of the accounting requirements for derecognition of financial assets (including derecognition of modified financial assets) would be challenging until when the IASB develops appropriate and robust concepts regarding derecognition. We note that the IASB’s Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting* (the

“ED”) discussed the purposes and approaches of derecognition. Yet, we found that the discussion of derecognition in the ED was not sufficiently robust; thus, in our comment letter to the ED, we encouraged the IASB to carry on the work so as to develop clearer concepts.

6. We expect that the IASB’s ongoing deliberation regarding a review of the *Conceptual Framework* (particularly, with regard to derecognition) will shine a light on how to tackle this challenging issue. Therefore, we believe that the IASB should address this issue as a medium- to long-term project building upon the outcome from the deliberation of the *Conceptual Framework*, and that the Committee should recommend the IASB to do so.
7. We hope that our comment will be helpful for the Committee’s and the IASB’s consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,



Tomo Sekiguchi

Board Member of the ASBJ

Chairman of the Technical Committee for IFRS Implementation in the ASBJ