

**Sue Lloyd  
Chair  
IFRS Interpretation Committee  
Columbus Building  
7 Westferry Circus  
Canary Wharf, London E14 4HD  
United Kingdom**

## **The IFRS Interpretations Committee's tentative agenda decision on TLTRO III Transactions (IFRS 9 and IAS 20)**

Dear Ms Lloyd,

The European Securities and Markets Authority (ESMA) thanks the IFRS Interpretations Committee's (IFRS IC) for the extensive discussion of ESMA's Agenda Item Request on accounting for the TLTRO III transactions (IFRS 9, IAS 20). We also appreciate the opportunity to respond to the IFRS IC's publication of the tentative agenda decision related to this issue.

ESMA believes that in order to reduce the existing diversity in the application of the requirements of IFRS 9 and IAS 20, it would be helpful if the IFRS IC provided more clarity regarding the applicability of IAS 20 on the TLTRO III transactions, in particular giving further guidance on determining whether a central bank or other similar body meets the broad definition of government under IAS 20. It would also be useful if the IFRS IC could provide guidance on whether and how 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. We consider that the IFRS 9 Post Implementation Review progress will not allow a timely response for TLTRO III or other refinancing programs in the future.

Moreover, ESMA notes that both the interest rate on the main refinancing operations (MRO) and the borrowing rate in TLTRO III operations are instruments of the ECB's monetary policy operations and, as such, can be unilaterally changed by the ECB anytime. The ECB could have defined the TLTRO interest rate without any reference to the MRO rate. Against this background, ESMA finds it difficult to understand why, according to the tentative agenda decision, the TLTRO III interest rate is considered to be a combination of a fixed and a variable interest rate element, while the MRO rate is referred to as an example of a variable interest rate.

Therefore, ESMA kindly suggests that the IFRS Interpretations Committee (IFRS IC) considers removing the reference to the fixed 50 basis points discount given by the ECB on particular TLTRO III tranches for a fixed period as an example of interest rate elements that are fixed and therefore not reset to reflect movements in the market rates of interest.



In case you have any questions or comments regarding this letter, I suggest you contact Evert van Walsum, Head of the Investors and Issuers Department.

Yours sincerely,

Anneli Tuominen