



World Standard-setters Conference 2024

**Update on Financial
Instruments Projects**

#WSS2024

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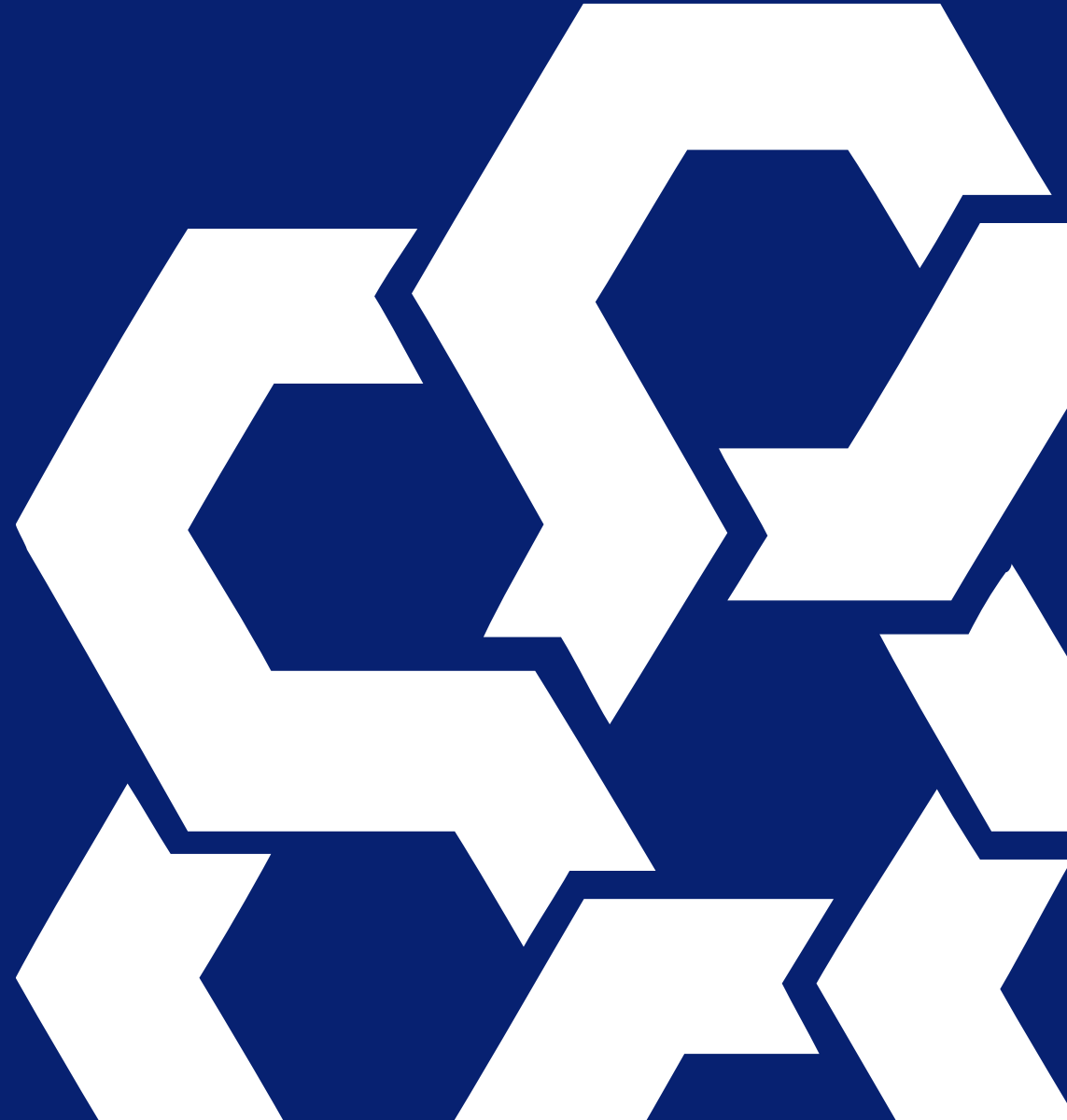
Agenda

1 What projects have been finalised?

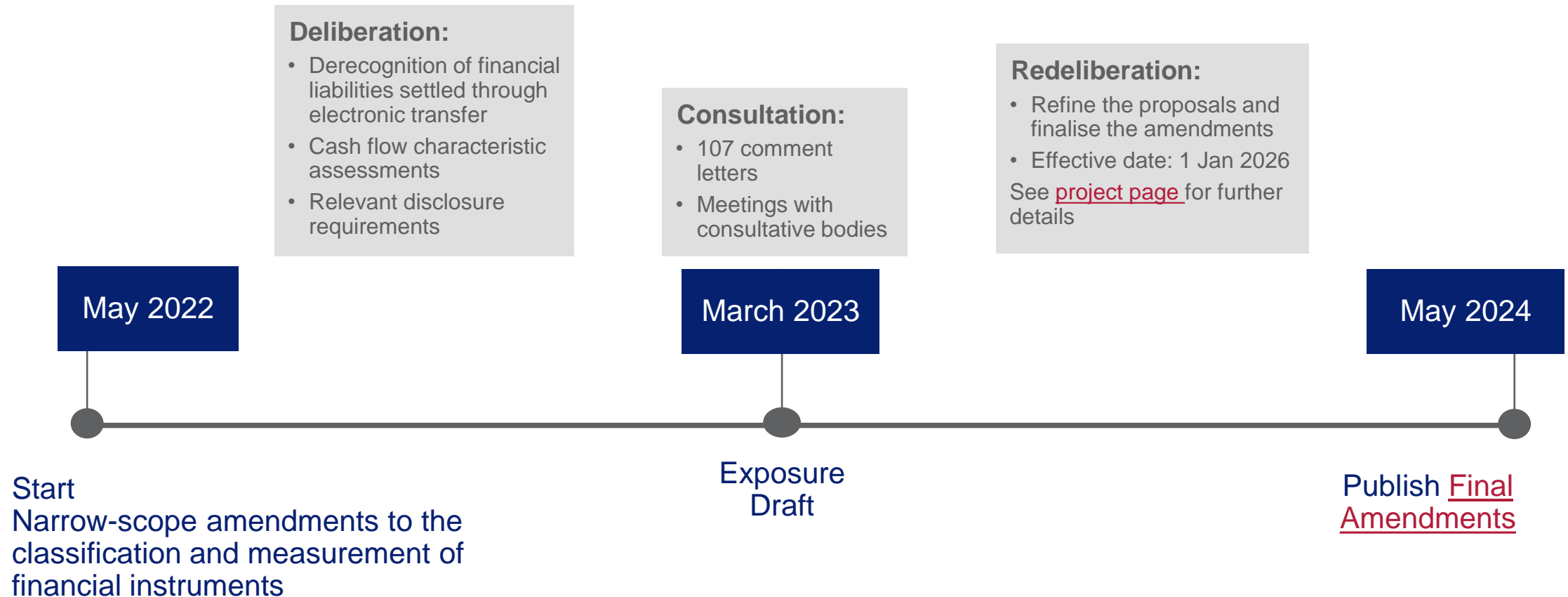
2 What projects are still in progress?

3 What projects are starting?

Projects finalised



Amendments to the Classification and Measurement of Financial Instruments (1/2)



Amendments to the Classification and Measurement of Financial Instruments (2/2)



Objectives of the project

To respond to feedback on the post-implementation review of the classification and measurement requirements in IFRS 9 by improving:

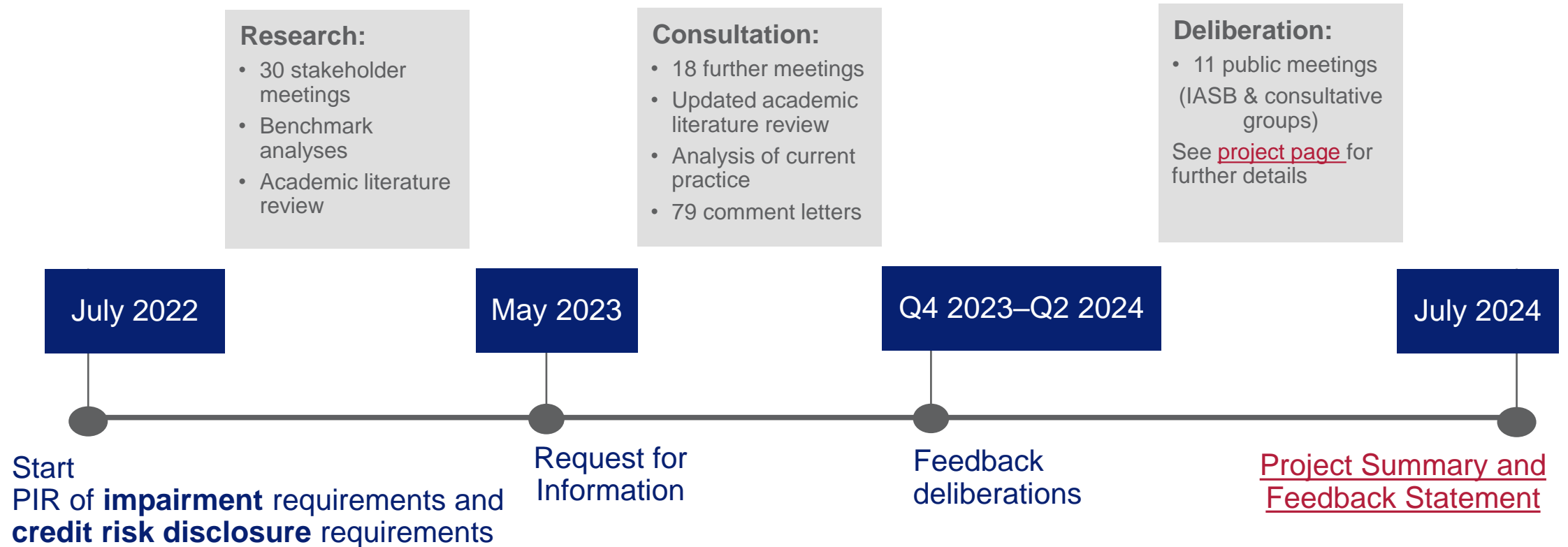
- the understandability of some of these requirements; and
- the usefulness of related information disclosed by an entity applying IFRS 7 requirements.



Scope of the project

- Derecognition of financial liabilities settled through electronic transfer;
- Assessment for contractual cash flow characteristics in classifying financial assets; and
- Disclosure of information about some financial instruments.

Post-implementation Review of IFRS 9—Impairment (1/2)



Post-implementation Review of IFRS 9—Impairment (2/2)

Overall positive feedback

Almost all stakeholders said that the impairment requirements in IFRS 9:

- ✓ result in timely recognition of credit losses, resolving the ‘too little, too late’ problem;
- ✓ work as intended with no fundamental questions (‘fatal flaws’); and
- ✓ contain robust principles, adaptable in varied conditions including crisis such as covid-19 pandemic.



Most raised two matters:

- Interaction of impairment and other requirements in IFRS 9
- Diversity in credit risk disclosures



The IASB took action on both matters:

- Amortised Cost Measurement project started
- Credit risk disclosure project added to the pipeline




Projects in progress






Power Purchase Agreements—Summary of feedback (1/2)

- **General support** for proposals in the Exposure Draft:
 - the swift and speedy development of the proposals
 - the inclusion of both physical delivery contracts and financial contracts for difference
 - the narrow-scope approach
- Although stakeholders agreed with the general direction of the proposals, they asked for **clarification on some aspects** of the proposals, most notably on:
 - the scope of contracts for renewable electricity to which the amendments would apply
 - the own use requirements; and
 - the disclosure requirements

Power Purchase Agreements—Summary of feedback (2/2)

Topic	Feedback
Scope	
Own-use requirements	
Hedge accounting requirements	
Disclosure requirements	
Disclosure requirements for subsidiaries without public accountability	
Transition requirements	
Effective date	

	Legend
	Proposals require significant clarification
	Proposals require some clarification
	Proposals require minor clarification

Financial Instruments with Characteristics of Equity (FICE)—Summary of feedback

- General acknowledgement of the challenge to classify instruments as financial liabilities or equity and need for additional guidance
- **General support** for:
 - the efforts made by the IASB, including the intent and objective of the proposed amendments
 - the approach to clarify some classification requirements in IAS 32 *Financial Instruments: Presentation* to reduce diversity in practice and address known practice issues; and
 - the addition of presentation and disclosure requirements to improve understandability and comparability for investors

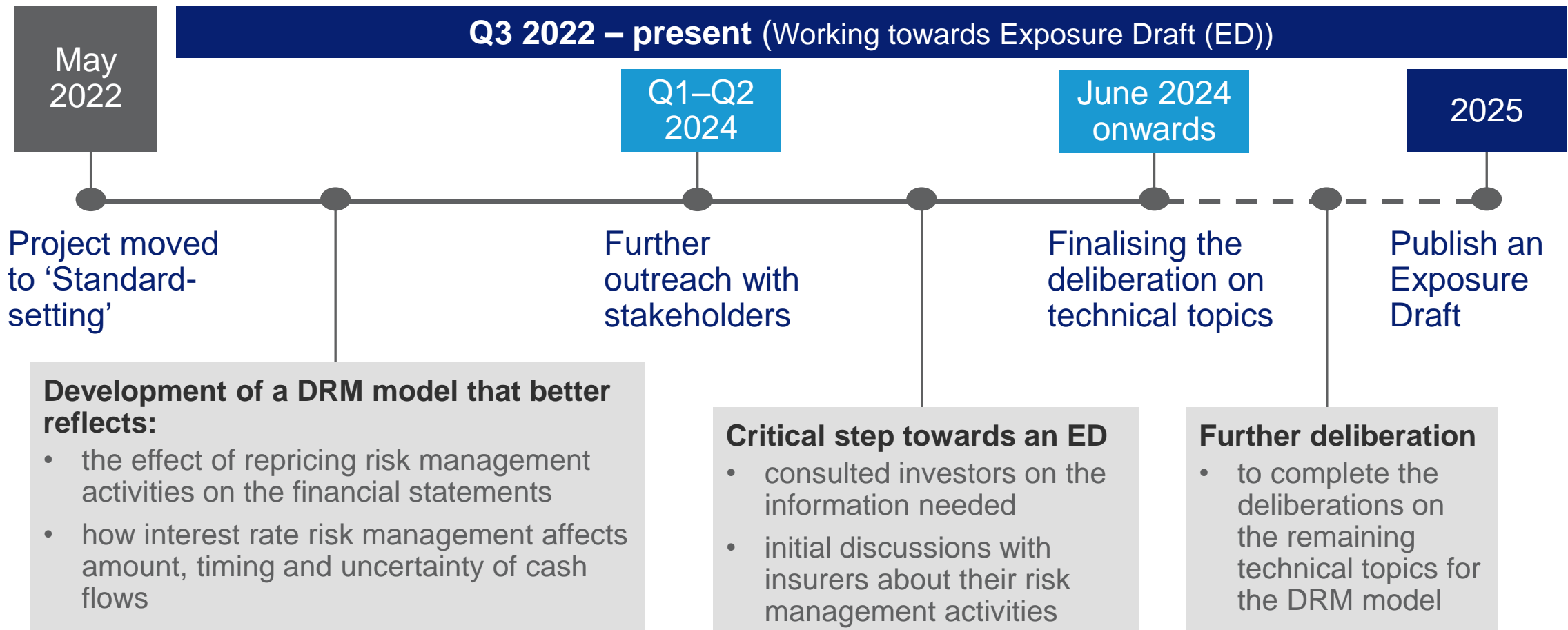
BUT

- Although stakeholders agreed with a number of aspects, there was also **disagreement on some of the proposals**
- Various concerns about the impact on specific instruments issued in some jurisdictions (eg changes in classification outcomes) or potential for new interpretation issues to arise
- Requests for additional guidance/clarifications/examples on how to apply principles in practice

FICE—Overview of feedback on the proposals

Topic	Feedback
Effects of relevant laws or regulations	
Fixed-for-fixed condition	
Obligations to purchase own equity instruments	
Contingent settlement provisions	
Shareholder discretion	
Reclassification of financial liabilities and equity instruments	
Disclosures	
Presentation of amounts attributable to ordinary shareholders	
Transition	
Disclosure requirements for subsidiaries without public accountability	

Dynamic Risk Management (DRM)—project update



DRM—summary of recent developments



Continuous engagement with stakeholders

- A series of webcasts explaining the DRM model:
 - [October 2022](#) (workings of the DRM model)
 - [April 2023](#) (CNOP and performance assessment)
- Illustrative examples on the application of the DRM model in [May 2023](#)
- Targeted outreach with banking industry specialist investors
- Informal discussions with other stakeholders



Tentative decisions made on

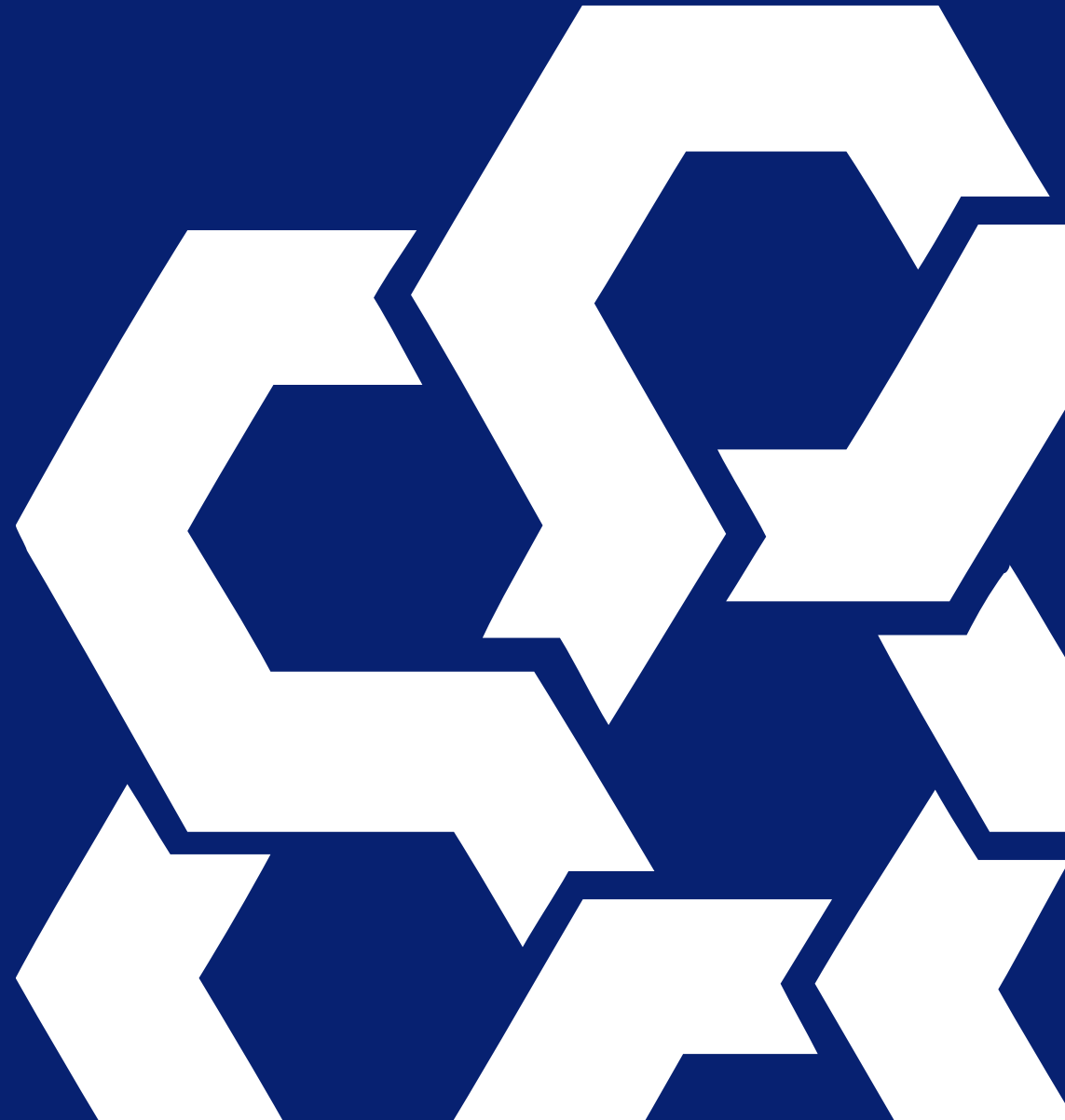
- additional requirements in relation to the DRM capacity assessment
- applicable risk management activities for the DRM model
- optional application of the DRM model
- discontinuation of the DRM model
- DRM presentation requirements
- DRM disclosure requirements.



Topics to be discussed

- DRM transition requirements

Projects starting



Amortised Cost Measurement

Project Objective

- to address **widespread application matters** arising from amortised cost measurement requirements of IFRS 9, by clarifying the underlying principles or developing new principles and adding accompanying application guidance
- to make specific improvements in **presentation and disclosure** requirements

Project Approach

- ☒ **Targeted improvements** to amortised cost measurement requirements
- ☐ Not a **fundamental review** of requirements
- ☐ Not **narrow-scope amendments** to IFRS 9

Targeted improvements on these areas



Mechanics of effective interest method



Modification, derecognition, write-off



Interaction with impairment

Pipeline projects

Post-implementation Review of IFRS 9 *Financial Instruments*—Hedge Accounting

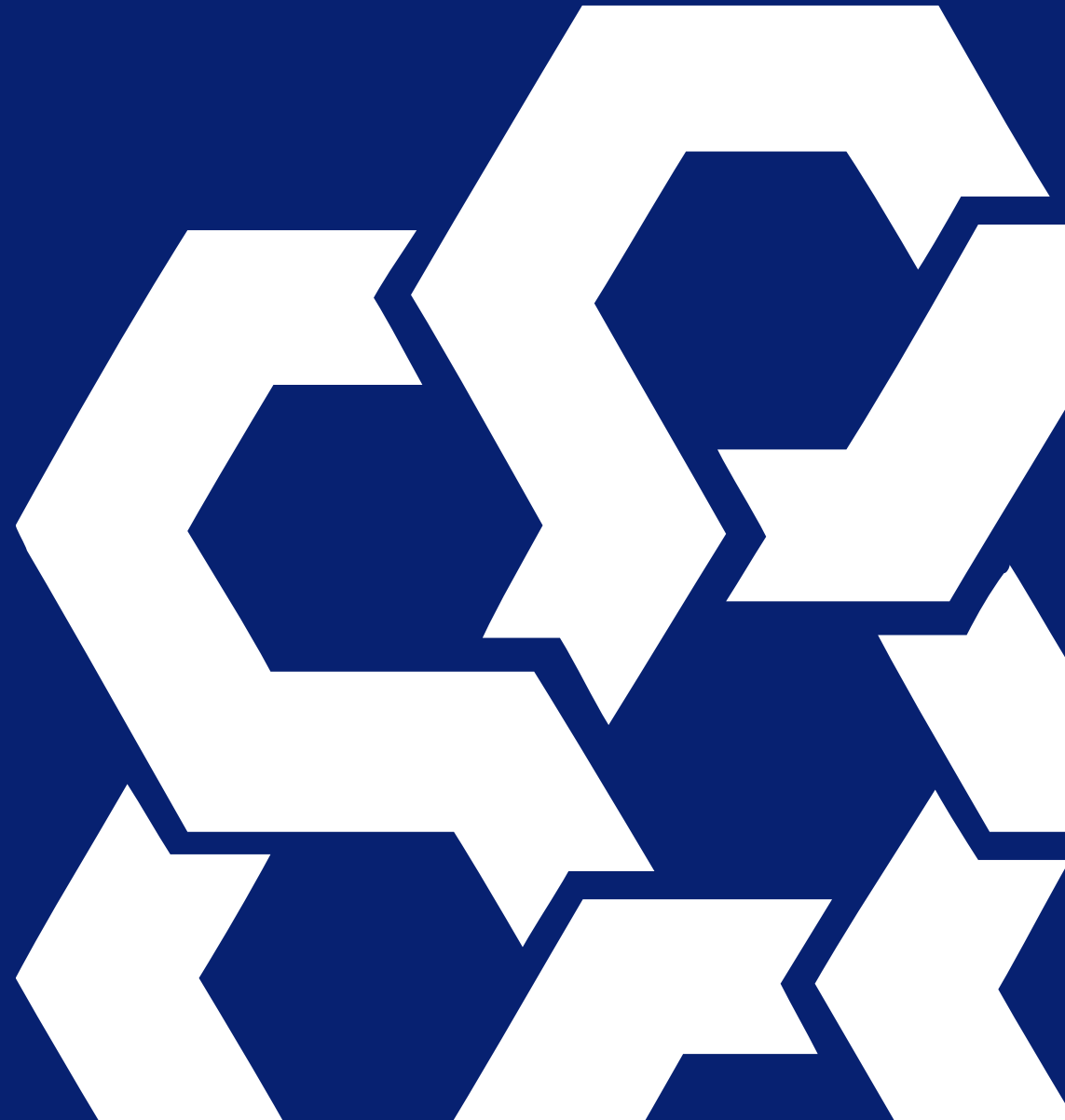
- The IASB will decide in 2025 when to start the review of hedge accounting requirements of IFRS 9
- This post-implementation review aims to assess whether the effects of applying the hedge accounting requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those requirements

Credit risk disclosures

- The project aims to explore improvements to the credit risk disclosure requirements in IFRS 7 in response to feedback on the post-implementation review of impairment requirements in IFRS 9



Questions?



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