

September 2009

International Financial Reporting Standards



# Financial Instruments Recognition and Measurement: Replacement of IAS 39

23 September 2009 Project Update

Webcast by IASB staff

## IASC Foundation

The views expressed in this presentation are those of the presenter, not necessarily those of the IASC Foundation or the IASB



# Timetable

## One project – three stages

Project stage	Exposure Draft	Finalisation
1. Classification and Measurement (Board redeliberations commenced)*	Comment period closed	In time for year end financial statements 2009
2. Impairment (Board deliberations ongoing)	Request for info comment period closed ED October 2009	Full replacement of IAS 39 during 2010
3. Hedge Accounting (Board deliberations started)	December 2009	Full replacement of IAS 39 during 2010

\*Closely tied to 'own credit'. Comment period for discussion paper closed



# Classification and Measurement ED

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- Feedback obtained
  - Over 200 comment letters
  - Roundtables held in Europe, Asia and North America
  - Over 70 outreach meetings
  - Discussions by Financial Instruments Working Group (FIWG)
  - Comment letters consistent with outreach



# Classification and Measurement - feedback

√	X
Mixed measurement model	Alternative approaches (Q14 &15)
Amortised cost criteria	Removal of bifurcation (particularly for liabilities due to 'own credit')
OCI presentation alternative	Restrains around OCI alternative



# Classification and Measurement

## Main issues for redeliberation

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- Articulation of amortised cost criteria
- Bifurcation
- Scope – financial liabilities?
- Structured debt cut
- Distressed debt purchases
- Restrictions around OCI criteria
- Reclassification prohibition
- Removal of cost exemption for unquoted equities
- Transition



# Own credit and financial liabilities

- 116 comment letters received on discussion paper
- Comment letter analysis presented at September Board
- Many comments also included in letters on Classification and Measurement ED
- General support for ‘own credit’ in initial measurement of financial liabilities but not on an ongoing basis
- General response > **changes in own credit not considered decision useful information**



# Impairment feedback

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- Information gathered to address FEASIBILITY
  - 79 responses to Request for Information
  - over 50 outreach meetings with 30+ constituents
- Main message on feasibility
  - operationally challenging
    - difficulty of estimating losses over life
    - difficulty estimating timing
  - lead time for system changes commonly estimated at 2-3 years



# Impairment – direction

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At September meeting tentatively agreed to pursue:

- Principles based ED proposing expected loss impairment
- Establish an expert advisory group
- Expected losses
  - allocated over period of revenue recognition
- Scope of ED
  - all financial assets measured at amortised cost BUT will ask if some instruments should be excluded to address operational concerns



# Hedging – Broad direction

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- Consider using cash flow hedge accounting mechanics for fair value hedges
  - Gains and losses on effective portion of hedge recognised directly in OCI
  - Hedged item not remeasured
- Simplify cashflow hedge accounting methodology
- Phasing of work
  - Address broad hedging model first
  - Then consider portfolio hedge accounting and net investment hedging



# Timetable

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- Weekly meetings on project during September and October. FASB will participate
- Publication timetable unchanged



# Questions or comments?

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Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

