

June 2009

International Financial Reporting Standards

# Financial Instruments Recognition and Measurement: Replacement of IAS 39

June 23 2009 Project Update

Webcast by IASB staff

## IASB Foundation

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

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# This webcast

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- IASB June meeting update
- Overview of classification and measurement approach
- Questions and answers



# Timetable

## One project – three stages

Project stage	Exposure Draft	Finalisation
<b>1. Classification and Measurement</b> (Board deliberations ongoing)	July 2009	In time for year end financial statements 2009
2. Impairment (Board deliberations ongoing)	October 2009	Full replacement of IAS 39 during 2010
3. Hedge Accounting (Board deliberations not started yet)	December 2009	Full replacement of IAS 39 during 2010



## Approach considered for embedded derivatives

- Embedded derivatives with financial hosts
  - Bifurcation of embedded derivatives will be eliminated
  - **One classification approach (excluding hybrids with non-financial hosts)**
  - Also applied to concentration of credit risk
- Embedded derivatives with non-financial hosts
  - not addressed at this stage



## Approach considered for presentation of fair value changes in other comprehensive income (OCI)

- Scope – available for all equity instruments that are not held for trading
- Characteristics:
  - optional instrument by instrument
  - no recycling, impairment or change in presentation
  - dividends recognised in OCI



## Approach considered for fair value option (FVO)

- FVO for accounting mismatches only
- The classification approach being considered makes two of the existing FVO criteria irrelevant
  - instruments that have basic loan features and managed on a contractual yield basis measured at amortised cost
  - embedded derivative accounting is eliminated for hybrid contracts with financial hosts



# Classification and measurement

## Overview of approach considered

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### Amortised cost

- Basic loan features &
- Managed on contractual yield basis
- (No tainting and no need to assert intent and ability to HTM)

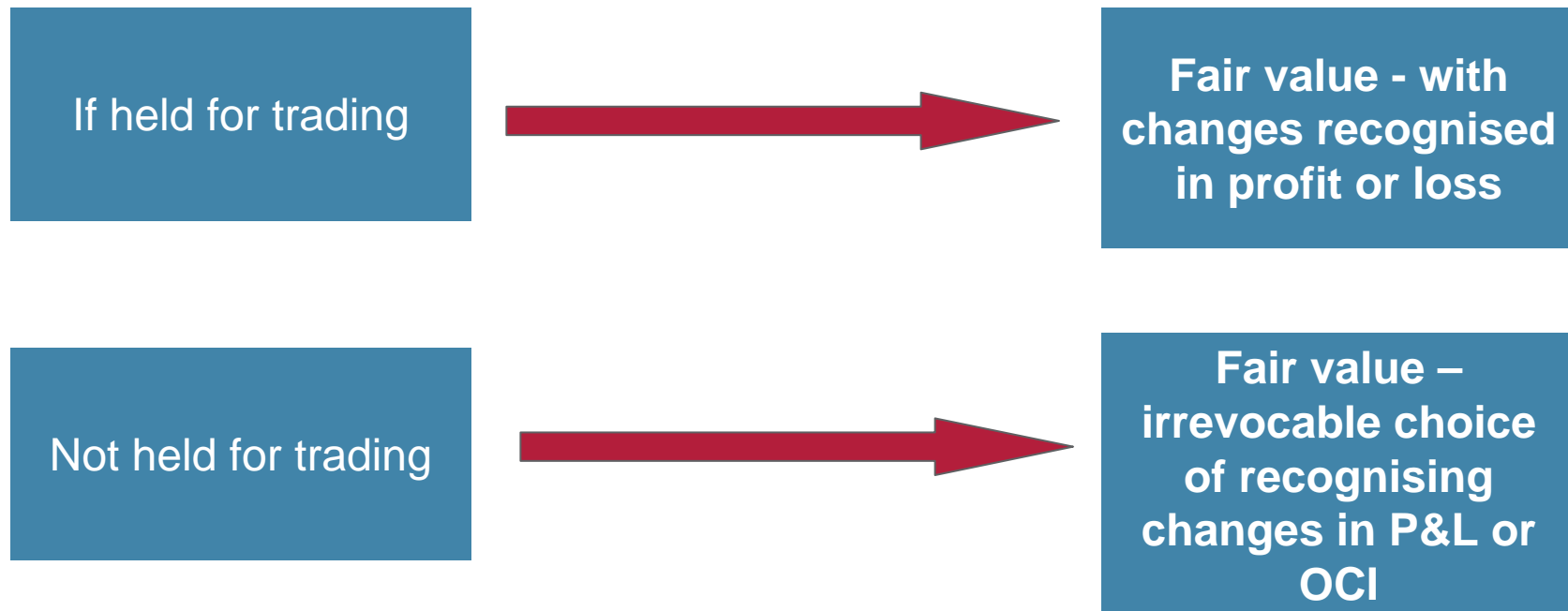
### Fair Value

- All other instruments
- Elective OCI presentation available for equity investments not held for trading
- Fair value option for mismatches



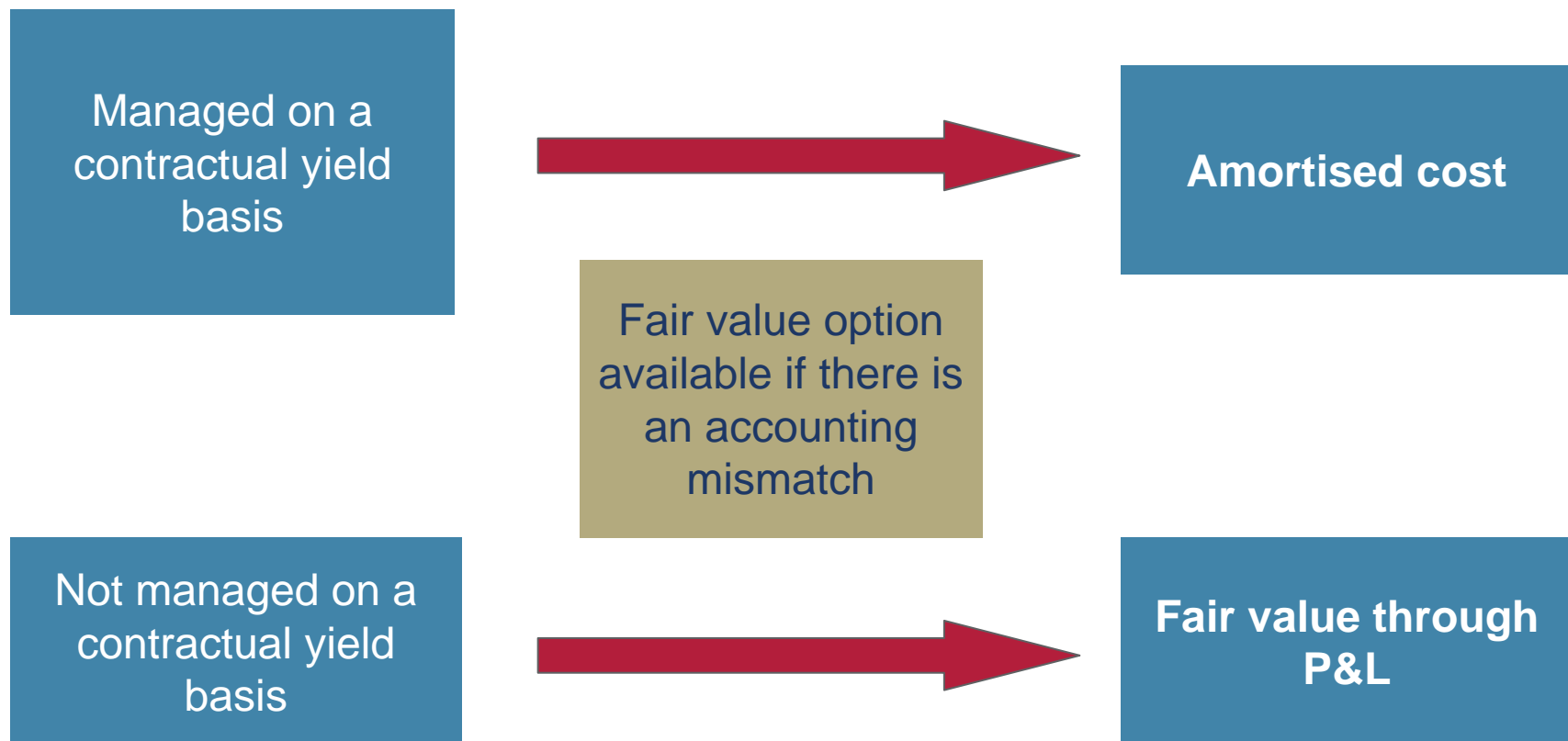
# Example 1 – effect of classification and measurement being discussed

## AFS equity instrument – changed to:



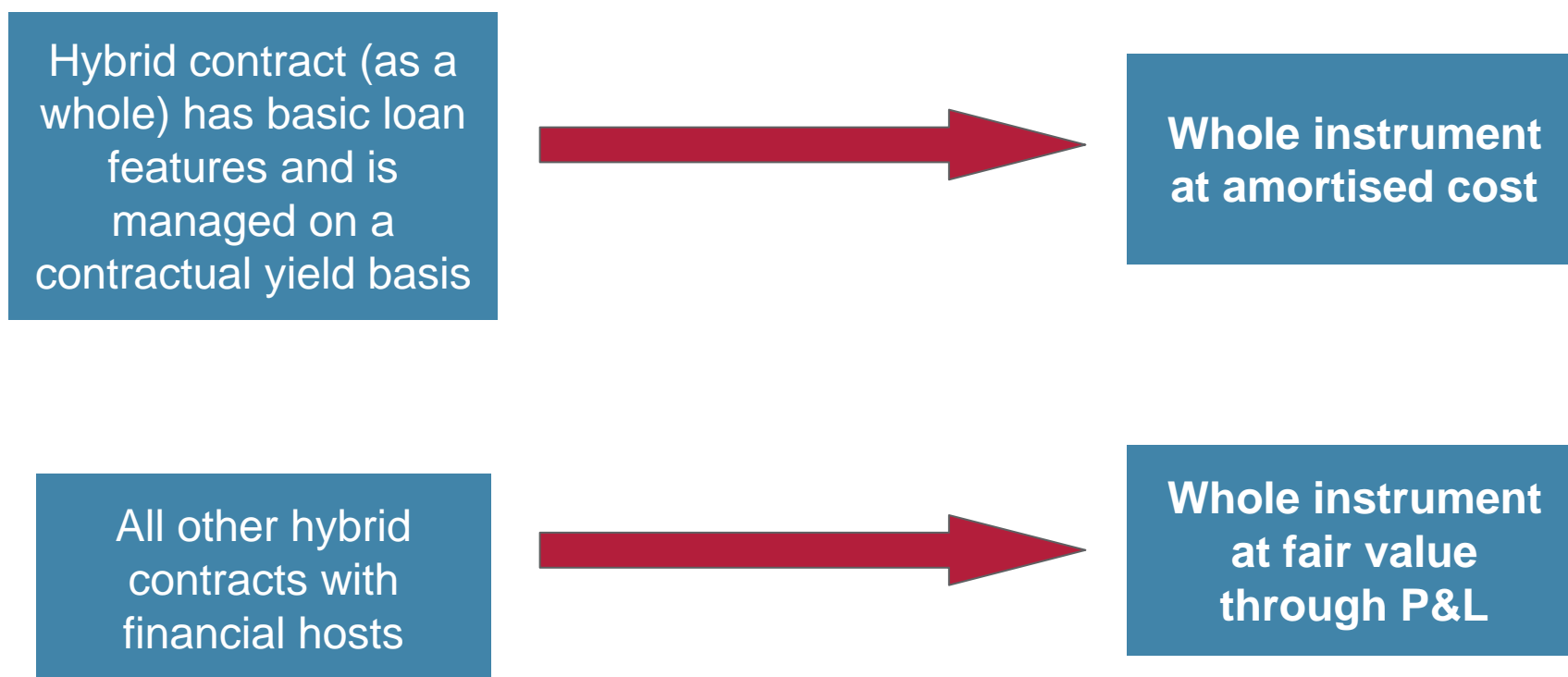
# Example 2 – effect of classification and measurement being discussed

## AFS debt instrument (basic loan features):



# Example 3 – effect of classification and measurement being discussed

## Debt instrument with embedded derivative features:



## Approach considered for transition and effective date

- Retrospective, but with some transition reliefs
  - On adoption assets and liabilities will be classified under the new criteria
- Available for 2009 year end financial statements
- Likely mandatory date for adoption – not before January 2012



# Classification and measurement

## Possible alternative features discussed

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### Same classification approach but:

- Two measurement models applied:
  - Fair value in balance sheet, except loans & receivables
  - Amortised cost in P&L for basic loan instruments managed on contractual yield basis, with OCI the balancing item



# Replacement of IAS 39

## Outlook and associated areas

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- Classification and measurement ED in July 2009
- Invitation to comment on own credit risk in liability measurement published
  - Comment period until 1 September 2009
- Request for information on feasibility of an expected cash flow approach to impairment
  - To be posted on the IASB website within next week



# Questions or comments?

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.

