IAS 32 *Financial Instruments: Presentation* (January 2010)

Application of the 'fixed for fixed' condition

The IFRIC received requests for guidance on the application of paragraph 22 of IAS 32 which states that 'except as stated in paragraph 22A, a contract that will be settled by the entity (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument' (often referred to as the 'fixed-forfixed' condition).

The IFRIC identified that diversity may exist in practice in the application of the fixed-for-fixed condition to other situations in addition to the specific situations identified in the requests.

The IFRIC noted that the Board is currently undertaking a project to improve and simplify the financial reporting requirements for financial instruments with characteristics of equity. A key objective of this project is to develop a better distinction between equity and non-equity instruments. This includes consideration of the current fixed-for-fixed condition in IAS 32.

Consequently, the IFRIC concluded that the Board's current project on *Financial Instruments with Characteristics of Equity* is expected to address issues relating to the fixed-forfixed condition on a timely basis. Therefore, the IFRIC decided not to add this issue to its agenda.