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Project	**Disclosure Initiative: Targeted Standards-level Review of Disclosures**
Paper topic	IFRS 13 Disclosure Objectives

CONTACTS	Aishat Akinwale	aakinwale@ifrs.org	+44 (0) 20 7246 6910
	Kathryn Donkersley	kdonkersley@ifrs.org	+44 (0) 20 7246 6970

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Purpose of this paper

1. The purpose of this paper is to present staff analysis and recommendations on amendments to the disclosure objectives in IFRS 13 *Fair Value Measurement*.
2. This is the first staff analysis paper about amendments to the disclosure section in IFRS 13. We plan to bring staff analysis on items of information that could be used to meet the disclosure objectives to a future meeting.

Structure of this paper

3. The paper is structured as follows:
   - (a) Background (paragraphs 4-5)
   - (b) Feedback received and summary of staff's approach to developing recommendations (paragraphs 6-10)
   - (c) Summary of staff recommendations (paragraphs 11-13)
   - (d) IFRS 13 Background (paragraphs 14-15)
   - (e) User information needs (paragraph 16)
   - (f) Should the Board include a specific disclosure objective about:
     - (i) nature and other characteristics of items measured at fair value (paragraphs 17-27)

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(ii) inputs, techniques and amounts underlying an entity's fair value measurements (paragraphs 28-41)

(iii) determining the fair value amounts (paragraphs 42-48)

(iv) sensitivity of the items measured at fair value to changes in inputs (paragraphs 49-57)

(v) forecasting future fair value movements (paragraphs 58-63)

(g) High-level, catch-all disclosure objective (paragraphs 64-73)

(h) Appendix—Illustration of example disclosures

Background

4. During May-July 2018, the Board developed draft Guidance for the Board to use when developing and drafting disclosure objectives and requirements in future (draft Guidance). Applying Step 1 of the draft Guidance, the Board has tentatively decided to:

(a) use specific disclosure objectives to help entities exercise effective judgement about what to disclose. Such objectives would explain *why* particular information is useful to primary users of financial statements (users). These specific disclosure objective(s) will be supplemented by items of information that an entity could disclose in order to meet those objectives.

(b) use high-level catch-all disclosure objectives to prompt entities to consider as a whole the disclosure relating to a topic and whether the information provided meets overall user information needs for that topic.

5. At its July 2018 meeting, the Board selected IFRS 13 as one of two Standards on which to test the draft Guidance.

Feedback received and summary of staff's approach to developing recommendations

6. At the May 2019 meeting, the Board discussed feedback from stakeholders and input received from the IFRS Taxonomy team about fair value measurement disclosures (see ***May 2019 Agenda Paper 11C***).

7. Most users said that today's IFRS 13 disclosures meet their primary objectives and changes to IFRS 13 are not *critical*. However, users expressed concerns about the application of materiality to IFRS 13 disclosures. Users added that entities often provide very detailed information about fair value measurements that are not material and less information about fair value measurements that are material. On the other hand, preparers told us that many of the disclosures required today by IFRS 13 are often difficult and onerous to prepare.

8. Considering the feedback received, the Board decided to approach changes to the disclosure section in IFRS 13 in a way that will help preparers to make more effective materiality judgements about fair value measurement disclosures (see ***May 2019 Agenda Paper 11D***). The Board tentatively decided that the first step should be to develop and clearly articulate disclosure objectives—that is the focus of this paper.

9. After completing that step, the Board will proceed with:

   (a) linking those objectives to existing IFRS 13 disclosure requirements; and

   (b) refining the proposals by considering:

      (i) any disclosure information required by IFRS 13 that cannot be linked to a specific disclosure objective;

      (ii) any information identified by users that is not currently required by IFRS 13. For example, additional Level 2 disclosures; and

      (iii) feedback from preparers and other stakeholders about costs and other consequences.

   The staff will bring analysis on these subsequent steps to a future Board meeting.

Summary of staff's approach to developing recommendations

10. In this paper, we have provided staff analysis on each user information need and made a recommendation as to whether, and how, that information need should be incorporated as a disclosure objective in IFRS 13. Our analysis includes consideration of:

   (a) user feedback about how critical the information need is and why.

(b) feedback from other stakeholders, including cost-benefit considerations.

(c) the findings from the Post-implementation Review (PIR) of IFRS 13 regarding the usefulness of fair value measurement disclosures.

(d) the objective of general purpose financial statements and the information provided by such statements as described in the Conceptual Framework for Financial Reporting (Conceptual Framework).

Summary of staff recommendations

11. Staff recommend that the Board include a high-level, catch-all disclosure objective in IFRS 13 requiring an entity to:

(a) disclose information that enables users to evaluate an entity’s exposure to risks associated with its fair value measurements. This includes enabling users to understand the significance of assets, liabilities and an entity’s own equity instruments measured at fair value, how the fair value measurements have been determined and how changes in those measurements affect the entity’s financial statements.

(b) consider the level of detail necessary to satisfy the specific disclosure objectives and ensure that any useful information about the entity’s fair value measurements is not obscured by a large amount of insignificant detail.

12. Furthermore, staff recommend that the Board include the following specific disclosure objectives in IFRS 13:

1	An entity shall disclose information that enables users to understand the amount, nature and other characteristics of the specific assets, liabilities and entity's own equity instruments within each level of the fair value hierarchy. Users need such information to: a. evaluate how the entity has categorised its assets, liabilities and own equity instruments within the fair value hierarchy; and b. assess the effect that fair value measurements have on the financial statements, including a qualitative assessment of the extent of measurement uncertainty.
2	An entity shall disclose information that enables users to understand the significant techniques and inputs used in deriving its fair value measurements. Users need such information to assess the measurement uncertainties associated with the determination of the fair value measurements.
3	An entity shall disclose information that enables users to understand the drivers of changes in the fair value measurements from the beginning of a reporting period to the end of that period. Users need such information to evaluate how the entity's fair value measurements are affected by significant transactions and other events during the period.
4	An entity shall disclose information that enables users to understand the range of reasonably possible fair values for the assets, liabilities and entity's own equity instruments measured at fair value. Users need such information to evaluate: a. the possible effects of an entity's fair value measurements on the financial statements; and b. how reasonably possible changes in fair value measurements might affect the entity's cash flows.

13. Finally, we recommend that the Board:

(a) does not develop a disclosure objective to explicitly address user needs about forecasting future fair value movements.

(b) require an entity that discloses fair value for assets and liabilities *not* measured at fair value in the statement of financial position to comply with objective 1 described in paragraph 12.

IFRS 13 background

14. IFRS 13 defines fair value, sets out in a single IFRS Standard a framework for measuring fair value and requires disclosures about fair value measurements.

15. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument ('an item') is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS Standard requires or permits an item to be measured at fair value (with limited exceptions).

User information needs

16. Users told us that they want to be able to do the following with disclosures about fair value measurements:

    (a) understand the nature and other characteristics of the items measured at fair value (paragraphs 17-27);

    (b) assess the appropriateness of the inputs, techniques and amounts underlying an entity's fair value measurements (paragraphs 28-41);

    (c) determine the fair value amounts to input into analyses such as enterprise value calculations (paragraphs 42-48);

    (d) understand the sensitivity of items measured at fair value to changes in inputs (paragraphs 49-57); and

    (e) forecast future fair value movements (paragraphs 58-63).

(a) Understand the nature and other characteristics of the items measured at fair value

17. Users want information that explains:

    (a) the nature and other characteristics of the specific items measured at fair value; and

(b) how the entity determined the level of the fair value hierarchy to which those items belong.

18. Users said that such information is particularly important when an entity has applied judgement or for complex items such as risk and revenue sharing arrangements. They added that the nature of items measured at fair value is not always clear from their 'one-line' description in a breakdown and, in those cases, further explanation is needed.

19. A few GPF and ASAF members supported addressing this user information need, with the GPF members adding that they do not expect this information to be too costly to prepare.

Staff analysis

20. Staff think that user information needs in this area are justified. For users to assess the effect of fair value measurements on the financial statements, they need to understand what is being measured.

Specific items measured at fair value

21. As described in paragraph 15, other IFRS Standards require an item to be measured at fair value applying IFRS 13. Therefore, information about the specific items measured at fair value, including their nature and other characteristics may be covered by other IFRS Standards. Consequently, an entity may provide such explanations across separate notes in the financial statements.

22. However, we think this is critical information for users because it provides helpful context for understanding detailed fair value measurement disclosures. Therefore, we think that including a clear objective in IFRS 13 about the nature and other characteristics of the items measured at fair value is necessary. We will analyse the particular items of information that could be used to meet such an objective for a future Board meeting, including cross-referencing to other notes in the financial statements.

How an entity determined the level of the fair value hierarchy for an item

23. We discussed user needs about how the entity determined the level of the fair value hierarchy to which an item belonged at the June 2019 joint meeting of the

Capital Markets Advisory Committee (CMAC) and the Global Preparers Forum (GPF).

24. CMAC members said that their main priority is to assess the quality of fair value measurements *rather than* if and how an item met the criteria to be categorised within a particular level. By quality, the members are referring to a relative and qualitative assessment of where in the fair value hierarchy items measured at fair value sit. That is, assessing whether an item categorised within Level 2 of the fair value hierarchy is closer to the items categorised within Level 3 or those categorised within Level 1. In their view, the levels of the fair value hierarchy are not distinct buckets but contain a continuum of measurement quality. Consequently, CMAC members added that narrative information about how an entity determined the level to which items belonged is less useful than a breakdown of the items within each level with descriptions about those items.

25. Staff agree with those CMAC members. Furthermore, we think that narrative information about why an item has been allocated to a particular level of the hierarchy is likely to be boilerplate, duplicate the guidance in IFRS 13 and add to voluminous disclosures.

26. Consequently, we think the Board should develop an objective that focuses on the important, entity-specific information to be disclosed about the level of the fair value hierarchy within which the items are measured. Such information will facilitate users' own assessment of how items have been categorised within the fair value hierarchy, and enable them to assess the quality of an entity's measurements.

Staff recommendation

27. Staff recommend that the Board:

    (a) include a specific disclosure objective requiring an entity to disclose information that enables users to understand the amount, nature and other characteristics of the specific assets, liabilities and entity's own equity instruments within each level of the fair value hierarchy.

    (b) explain in IFRS 13 that users need such information to:

(i) evaluate how the entity has categorised its assets, liabilities and own equity instruments within the fair value hierarchy; and

(ii) assess the effect that fair value measurements have on the financial statements, including a qualitative assessment of the extent of measurement uncertainty.

Question 1
Does the Board agree with the staff recommendation in paragraph 27?

(b) Assess the appropriateness of the inputs, techniques and amounts underlying an entity's fair value measurements

28. Users want information about the inputs, techniques and amounts that an entity uses to arrive at its fair value measurements. Users are not looking to replicate the entity's valuation; rather, they want to assess:

    (a) whether those inputs, techniques and amounts are reasonable;

    (b) whether and how to adjust for those inputs, techniques and amounts in their analysis. For example, users may want to adjust their analysis if the inputs the entity used differ from users' expectations.

29. GPF and ASAF members generally supported addressing this user information need. However, these members questioned whether the level of detail required to satisfy user needs in this area passes the cost benefit test.

Staff analysis

30. Users want to understand the:

    (a) valuation techniques and inputs used in determining fair value measurements (paragraphs 31-34); and

    (b) drivers of changes in measurement from period to period (paragraphs 35-40).

Valuation techniques and inputs to determine fair value measurements

31. Staff think that a faithful representation of fair value measurements needs to include an explanation of the uncertainties inherent in that measurement. Furthermore, we think providing this information will:

    (a) make fair value measurements more understandable;

    (b) allow users to compare the entity's measurements with information from other sources, for example information about general economic conditions. This will help users to assess the reasonableness of the inputs used by the entity.

32. We think preparer concerns about the cost of providing this information are valid. If an entity were required to disclose all the valuation techniques and inputs used in fair value measurements, this could result in voluminous disclosures that do not provide useful information.

33. Consequently, we think any disclosure objective in this area should focus on valuation techniques and the associated inputs that are *significant* to the entity's fair value measurements. This is consistent with paragraph 127 of IAS 1 *Presentation of Financial Statements* which states that assumptions and other sources of estimation uncertainty to be disclosed should relate to the estimates that require management's most difficult, subjective or complex judgements. We think that limiting any information to be disclosed in this area to those that are significant to the entity's fair value measurements would help alleviate preparer concerns about costs. We also think this approach will help entities to focus their disclosure on the information that is most useful to users.

34. Furthermore, feedback from the PIR of IFRS 13 indicated that some information about valuation techniques and inputs are more costly to prepare than other information. For example, some quantitative information about the significant inputs used for Level 3 fair value measurements are particularly costly. We will analyse the costs and benefits of particular items of information that could be used to meet user needs in this area for a future Board meeting.

Drivers of changes in measurement from period to period

35. Users say information that enables them to understand why fair value measurements have changed during the period is useful to their analysis. This is because it helps them to fully understand the measurements and identify any ‘holes’ or problems in their analysis.

36. Entities typically provide this information today by reconciling opening to closing balances of items measured at fair value. Users had mixed views on the level of granularity that is necessary for their analysis. Many users said that a full reconciliation is useful while others said they are primarily interested in specific drivers of change—in particular, transfers into and out of levels. Users also had similar views about the usefulness of the reconciliation during the PIR of IFRS 13.

37. We developed an example of the kind of information that could meet user needs in this area for the joint CMAC and GPF meeting in June 2019—see Appendix A1:

    (a) CMAC members said the full reconciliation in the example contained a useful level of detail. However, they identified transfers in and out of different levels of the fair value hierarchy as the most individually critical item. They also said foreign exchange rate movements were a critical piece of information.

    (b) GPF members questioned whether the level of detail passes the cost-benefit test. This is consistent with one of the key messages from the PIR of IFRS 13, where most stakeholders other than users find the reconciliation to be the most costly disclosure about fair value measurements.

38. We are sympathetic to preparer’s feedback about costs. However, we think it is clear from the feedback received that information that enables users to understand the drivers of change in fair value measurements is useful. Furthermore, as discussed in paragraph 7, users only use detailed fair value disclosures when they are provided for the entities’ most significant items. We think some preparer concerns about the costs of providing the reconciliation today is likely to be

because they are providing the reconciliation for those measurements that are not material in their circumstances.

39. Consequently, staff think that the disclosure objective in this area should include the need for entities to provide information about the drivers of changes in its fair value measurements from the beginning of a reporting period to the end of that period. When such information is material, we think its disclosure passes the cost benefit test.

40. We think the most effective way to address feedback about costs is to give preparers tools to help them make more effective judgements about which, if any, fair value measurements should be captured by this disclosure objective. We think the explanation of why and how the information is useful to users will help preparers make this judgement. Furthermore, we address the level of detail necessary to satisfy information provided as part of our analysis of the high-level, catch-all disclosure objective in paragraphs 64-73.

Staff recommendation

41. Staff recommend that the Board:

(a) include a specific disclosure objective in IFRS 13 requiring an entity to disclose information that enables users to understand the significant techniques and inputs used in deriving its fair value measurements.

(b) explain that users need the information in paragraph 41(a) to assess the measurement uncertainties associated with the determination of fair value measurements.

(c) include a specific disclosure objective in IFRS 13 requiring an entity to disclose information that enables users to understand the drivers of changes in the fair value measurements from the beginning of a reporting period to the end of that period.

(d) explain that users need the information in paragraph 41(c) to evaluate how the entity’s fair value measurements are affected by significant transactions and other events during the period.

Question 2

Does the Board agree with the staff recommendation in paragraph 41?

(c) Determine the fair value amounts to input into analyses

42. Users want to determine the fair value amounts to input into their analyses for forecasting (such as enterprise value calculations). In practical terms, users are looking for fair value information for an entity's items, including, in some cases, items that are *not* measured at fair value in the statement of financial position.

43. A few ASAF members commented that it would be costly to prepare information about the fair value of items not measured at fair value.

Staff analysis and recommendation

44. Our recommended disclosure objective in paragraph 27 already addresses user information needs about the amount, nature and other characteristics for items measured at fair value in the statement of financial position.

45. Consequently, we think the additional need for the Board to consider is information about items *not* measured at fair value in the statement of financial position. In other words, the information that should be provided when an entity is not required to measure an item at fair value in the statement of financial position but instead discloses fair value in the notes to the financial statements.

46. Feedback from users indicates that a statement of the level of the fair value hierarchy to which these items would have belonged is the most useful information. We agree that such fair value information would be useful to users. This is because the information would allow users to assess fair value amounts they want to include in their own analysis, and thereby compare entities on a consistent basis.

47. In light of the feedback from users, we recommend that the Board require an entity to comply with the recommended disclosure objective discussed in paragraph 27. That is the objective about the amount, nature and other characteristics of the items within each level of the fair value hierarchy.

48. We do not recommend that the Board require entities to comply with our remaining recommended disclosure objectives in this circumstance because:

(a) user feedback suggests that such level of detail is not necessary; and

(b) it would likely be costly and onerous for entities to provide the information.

Question 3
Does the Board agree with the staff recommendation in paragraph 47?

(d) Understand the sensitivity of the items measured at fair value to changes in inputs

49. Users want to understand the sensitivity of the items measured at fair value to changes in the different inputs used. Specifically, they want to understand:

(a) the range of possible values for an entity's fair value measurements;

(b) where within that range the entity's measurements fall;

(c) the events or circumstances that would make fair values materially different to those reported; and

(d) potential cash flow effect of an entity's exposure to fair value changes.

50. A few GPF and ASAF members had concerns that, depending on the level of detail required, meeting this user information need would be very costly.

Staff analysis

51. Staff think that information about how changes in inputs could affect the reported fair value measurements is relevant and will help users understand the degree of measurement uncertainty.

52. We think that some of the user needs described in paragraph 49 are already covered by our recommended disclosure objectives elsewhere in this paper. In particular:

(a) we think the kinds of information that would satisfy the user needs about *where within* the range of possible values the entity's fair value measurements fall (paragraph 49(b)) will be captured by the recommended objective relating to amount, nature and other characteristics described in paragraph 27.

(b) we think the kinds of information that would satisfy user needs for information about the events or circumstances that would make fair values materially different to those reported (paragraph 49(c)) will be captured by the recommended objective relating to the significant inputs described in paragraphs 41(a)-41(b). That is, as part of that objective, the Board could explore requiring entities to consider disclosing alternative inputs that were reasonably possible at the reporting date.

53. Therefore, our analysis in this section focuses on whether it would be helpful to develop an additional disclosure objective that relates specifically to:

(a) the range of possible values within which an entity's fair value measurement might fall—that is, paragraph 49(a); and

(b) the potential cash flow effect—that is, paragraph 49(d).

We think these two objectives are intrinsically linked—i.e., for an item whose value will ultimately be realised through a cash receipt or payment, the potential cash flow effects are a direct consequence of the range of possible fair values.

54. Staff think that information about the range of possible values for an entity's fair value measurement relates to measurement uncertainty. On one hand, we think the recommended disclosure objective about significant inputs coupled with an item of information about alternative inputs discussed in paragraph 52(b) could allow users to make an assessment about the range of possible values for the fair value measurements for themselves.

55. However, at the joint CMAC and GPF meeting in June 2019, we developed an example of the kind of information that could meet user needs on sensitivity—see Appendix A2. CMAC members said that the example provides useful information. They said such information about the overall possible range was more critical than detailed information about, for example, the effect of individual inputs moving in isolation. GPF members said that the example provides better information than an input-by-input analysis required today by IFRS 13; and could be prepared at similar cost.

56. In light of this feedback, staff think complying with a specific disclosure objective in this area would not be unduly costly and would satisfy user needs more directly. We think such an objective should reflect the need for entities to disclose information that enables users to understand the range of fair value movements for the items measured at fair value using alternative reasonably possible inputs at the reporting date.

Staff recommendation

57. Staff recommend that the Board:

    (a) include a specific disclosure objective in IFRS 13 requiring an entity to disclose information that enables users to understand the range of reasonably possible fair values for the assets, liabilities and entity's own equity instruments measured at fair value.

    (b) explain in IFRS 13 that users need such information to evaluate:

        (i) the possible effects of an entity's fair value measurements on the financial statements; and

        (ii) how reasonably possible changes in fair value measurements might affect the entity's cash flows.

Question 4
Does the Board agree with the staff recommendation in paragraph 57?

(e) Forecast future fair value movements

58. Users want information about fair value measurements that will enable them to forecast the effect of those measurements on the primary financial statements into the future.

Staff analysis and recommendation

59. Staff think that this information need should be considered in light of the different types of users that we heard from during our detailed outreach. That is, users that use detailed fair value disclosures and those that do not.

60. Users that analyse detailed fair value disclosures did not highlight a specific piece of information that would enable them to predict for themselves how the fair value measurements will affect the entity in future periods. We think, for these users, this information need tells us what they ultimately want to do with *all* the disclosures that an entity provides about fair value measurements.

61. However, users that do *not* analyse detailed fair value disclosures want to be able to forecast fair value measurements on a total basis and by characteristics such as type of assets and liabilities. We think that, for these users, this information need tells us that they would primarily focus on *one of* the recommended disclosure objectives—that is the objective about amount, nature and other characteristics of the items within each level of the fair value hierarchy discussed in paragraph 27.

62. We do not think any of the users we spoke to expect entities to directly provide information about expected future fair value measurements in their financial statements. Instead, this information need is about equipping users with information to help them predict for themselves how exposure to fair value might affect the entity in future periods.

63. In light of the above, staff recommend that the Board does not include any other specific disclosure objective in IFRS 13 relating to forecasting future fair value measurements.

Question 5

Does the Board agree with the staff recommendation in paragraph 63?

High-level, catch-all disclosure objective

64. Staff recommend that the Board include a high-level, catch-all disclosure objective for IFRS 13. This is in accordance with the draft Guidance.

65. We think all of the specific disclosure objectives discussed in this paper ultimately relate to enabling users to fully understand an entity's exposure to risks associated with fair value measurements.

66. Consequently, we recommend that the Board include a high-level, catch-all disclosure objective requiring an entity to disclose information that enables users

to evaluate an entity's exposure to risks associated with its fair value measurements. This includes enabling users to understand the significance of assets, liabilities and an entity's own equity instruments measured at fair value, how the fair value measurements have been determined and how changes in those measurements affect the entity's financial statements.

Application of Materiality

67. Furthermore, we recommend that the high-level, catch-all objective should address feedback received from all stakeholders about the application of materiality to fair value measurement disclosures.

Feedback received

68. The importance of proper application of materiality was a prevalent theme throughout user outreach. Many users said they often get a lot of information about immaterial fair value measurements, and little information about material measurements. Some of these users said these concerns could be most effectively addressed through better application of materiality. Other users thought standard setting could help—for example, by requiring entities to provide additional disclosures for Level 2 similar to those required for Level 3 today.

69. At the joint CMAC and GPF meeting in June 2019, GPF members expressed concerns about the relevance of detailed IFRS 13 disclosures, particularly for non-financial institutions. CMAC members said they want to see detailed fair value measurement disclosures for those non-financial institutions where such measurements are material. Members agreed that proper application of materiality should enable companies to eliminate detailed immaterial fair value measurement disclosures from their financial statements. However, GPF members noted that making and implementing such judgements could be challenging in practice.

Staff analysis and recommendation

70. In light of the feedback received, we considered whether specific disclosure objectives in IFRS 13 should refer to 'material fair value measurements'. However, we have decided not to recommend this approach. This is primarily because materiality, as described in IAS 1, is a pervasive concept. We think that making such specific references to that pervasive concept in the disclosure section

of one, but not all, IFRS Standards could do more harm than good. This is because it would raise questions about whether materiality applies to all other disclosure requirements where materiality is not explicitly mentioned.

71. Nonetheless, we think it is important for the Board to highlight the importance of the application of materiality. For example, if information needed to meet any of the specific disclosure objectives discussed above is not material for an entity's Level 3 fair value measurements, we do not expect an entity to disclose that information in response to the objective. We think this clarification is essential to helping preparers, auditors and other stakeholders use objectives-based disclosures in the manner intended by the Board.

72. Consequently, we recommend that, as part of the high-level, catch-all disclosure objective, the Board should require an entity to consider the level of detail necessary to satisfy the specific disclosure objectives and ensure that any useful information about the entity's fair value measurements is not obscured by a large amount of insignificant detail. We think this approach does not undermine the pervasiveness of the materiality concept; rather, it draws specific attention to the concept for this particular topic to address consistent feedback from stakeholders.

73. Furthermore, such an objective would be *similar* in principle to existing paragraphs in individual IFRS Standards that highlight the importance of overarching concepts. For example, paragraph 111 in IFRS 15 *Revenue from Contracts with Customers* requires entities to consider the appropriate level of aggregation and disaggregation to undertake.

Question 6

(a) Does the Board agree with our staff recommendation in paragraph 66?

(b) Does the Board agree with our staff recommendation in paragraph 72?

Appendix: Illustration of example disclosures

A1. The diagram below illustrates the example disclosure on reconciliation from opening to closing balance of Level 3 fair value measurements discussed at the joint CMAC and GPF meeting in June 2019 (see paragraph 37):

(g) Further information on Level 3 assets and liabilities:

The table below shows movement in the Level 3 assets and liabilities measured at fair value.

2018	Assets						Liabilities				
	Investment Property £m	Loans £m	Debt securities £m	Equity securities £m	Other investments (including derivatives) £m	Financial assets of operations classified as held for sale £m	Non participating investment contracts £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m	Financial liabilities of operations classified as held for sale £m
Opening balance at 1 January 2018	10,797	23,949	15,137	776	2,863	2,093	—	(13)	(358)	(1,180)	(3,306)
Total net gains/(losses) recognised in the income statement[1]	376	(530)	(363)	(102)	(69)	(73)	—	—	(136)	(81)	74
Purchases	1,185	3,451	3,175	189	1,761	201	(108)	—	(59)	—	(95)
Issuances	—	200	—	—	—	—	—	—	—	—	—
Disposals	(927)	(2,065)	(1,221)	(544)	(554)	(191)	108	(12)	20	36	189
Transfers into Level 3	—	—	1,242	95	77	20	—	—	—	—	(20)
Transfers out of Level 3	—	—	(503)	(2)	—	(58)	—	—	—	—	58
Reclassification to held for sale	—	—	—	—	—	—	—	—	—	—	—
Foreign exchange rate movements	51	3	111	2	29	—	—	—	(1)	—	—
Balance at 31 December 2018	11,482	25,008	17,578	414	4,107	1,992	—	(25)	(534)	(1,225)	(3,100)

1 Total net gains/(losses) recognised in the income statement includes realised gains/(losses) on disposals.

A2. The diagram below illustrates the example disclosure on sensitivity discussed at the joint CMAC and GPF meeting in June 2019 (see paragraph 55):

Positive and negative fair value movements of Level 3 financial instruments from using reasonably possible alternative assumptions

A financial instrument is classified as Level 3 in the fair value hierarchy if one or more of its unobservable inputs may significantly affect the measurement of its fair value. In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen so that they are consistent with prevailing market evidence or management judgment. Due to the unobservable nature of the prices or rates, there may be uncertainty about the valuation of these Level 3 financial instruments.

The following table summarizes the impacts to fair values of Level 3 financial instruments using reasonably possible alternative assumptions. This sensitivity disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of Level 3 financial instruments. In reporting the sensitivities below, we offset balances in instances where: (i) the move in valuation factors cause an offsetting positive and negative fair value movement, (ii) both offsetting instruments are in Level 3, and (iii) exposures are managed and reported on a net basis. With respect to overall sensitivity, it is unlikely in practice that all reasonably possible alternative assumptions would simultaneously be realized.

	IFRS 9			IAS 39		
	As at					
	October 31, 2018			October 31, 2017		
(Millions of Canadian dollars)	Level 3 fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives	Level 3 fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives
Securities						
Trading						
U.S. state, municipal and agencies debt	$ 66	$ –	$ (1)	$ –	$ –	$ –
Asset-backed securities	110	7	(10)	–	–	–
Corporate debt and other debt	21	–	–	29	–	–
Equities	1,148	12	(12)	425	–	–
Investment						
U.S. state, municipal and agencies debt	–	–	–	508	8	(20)
Asset-backed securities	–	–	–	203	15	(21)
Corporate debt and other debt	192	19	(16)	797	6	(6)
Equities	237	24	(26)	711	40	(24)
Loan substitute securities	–	–	–	4	2	–
Loans	551	5	(7)	179	2	(3)
Derivatives	577	20	(18)	747	34	(30)
Other assets	65	–	–	–	–	–
	$ 2,967	$ 87	$ (90)	$ 3,603	$ 107	$ (104)
Deposits	$ (385)	$ 12	$ (11)	$ (465)	$ 11	$ (11)
Derivatives	(1,143)	47	(54)	(1,378)	37	(48)
Other						
Other liabilities	(68)	–	–	(24)	–	–
	$ (1,596)	$ 59	$ (65)	$ (1,867)	$ 48	$ (59)