

**Own shares that are held for trading purposes (IAS 32 *Financial Instruments: Presentation*)—  
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Some companies, in particular financial institutions, may hold their own shares for trading purposes. For example, a financial institution may issue a bond whose principal amount varies with the movement in a share index (sometimes referred to as an ‘index tracker bond’). In order to hedge the equity derivative that is embedded in the bond, it may purchase a portfolio of the shares contained in the relevant index and classify them as held for trading. If the financial institution is one of the companies in the index, the result will be that it holds its own shares for trading purposes.

The issue is whether an exception from SIC-16 *Share Capital – Reacquired Own Equity Instruments (Treasury Shares)* should be made for own shares that are held for trading purposes in order to allow them to be measured at fair value with changes in value being reported in the income statement.

The IFRIC agreed not to require publication of an Interpretation on this issue, and that IAS 39 *Financial Instruments: Recognition and Measurement* and SIC-16 are clear that:

- own shares should be treated as a deduction from equity in all circumstances
- they may not be classified as an asset that is held for trading
- no gain or loss is recognised in the income statement on such shares.