

IAS 39 Financial Instruments: Recognition and Measurement (November 2014)

Holder's accounting for exchange of equity instruments

The Interpretations Committee received a request about the accounting by the holder of equity instruments in the circumstance in which the issuer exchanges its original equity instruments for new equity instruments in the same entity but with different terms. Specifically, this transaction involved equity instruments issued by a central bank, and the exchange of instruments was imposed on the holders as a consequence of a change in legislation.

The submitter asked whether the holders of the equity instruments should account for this exchange under IAS 39 as a derecognition of the original equity instruments and the recognition of new instruments.

The Interpretations Committee observed that:

- (a) because of the unique nature of the transaction, the issue is not widespread; and
- (b) the submitter had not identified significant diversity in accounting for this transaction among the holders of the equity instruments in question.

For these reasons, the Interpretations Committee decided not to add this specific issue to its agenda.

The Interpretations Committee additionally noted requests for more guidance in IAS 39 and IFRS 9 on the derecognition of financial assets that have been modified or exchanged. The staff observed that this more general matter had been raised previously with the IASB but that it had decided not to add such a project to its agenda. The Interpretations Committee asked the staff to perform further analysis to identify whether an issue of sufficiently narrow scope could be identified to be raised with the IASB. The staff's analysis will be considered at a future Interpretations Committee meeting.