
Financial Instruments Update

World Standard-setters Conference 2026
Breakout session

Presenters



Zach Gast
IASB Member



Riana Wiesner
IASB Executive Technical Director



Angie Ah Kun
IASB Technical Staff



Iliriana Feka
IASB Technical Staff



Zhiqi Ni
IASB Technical Staff

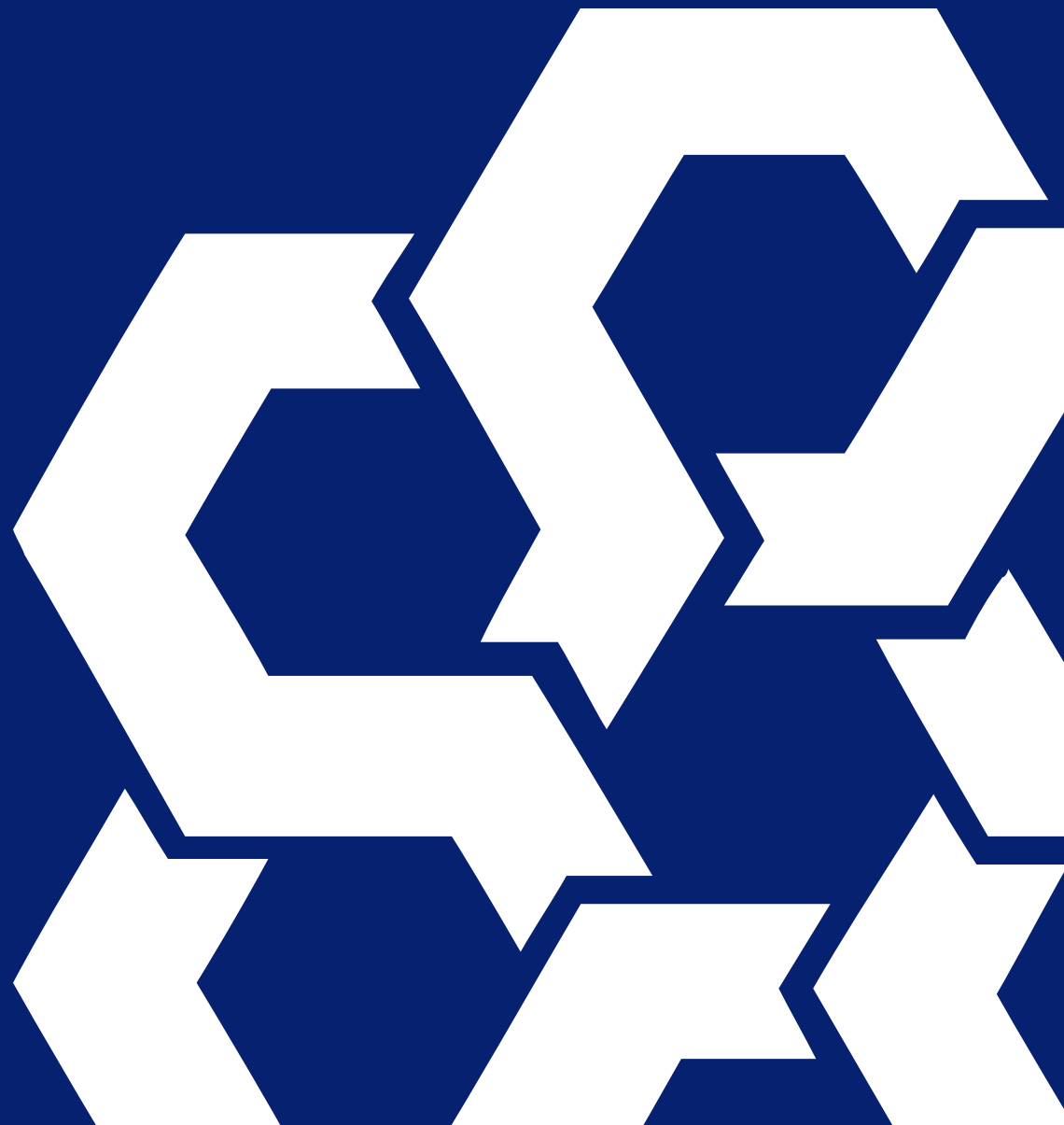


Juliane-Rebecca Upmeier
IASB Technical Staff

Agenda

- 1 Financial Instruments with Characteristics of Equity
- 2 Amortised Cost Measurement
- 3 Risk Mitigation Accounting
- 4 Post-implementation Review of IFRS 9—Hedge Accounting

Financial Instruments with Characteristics of Equity



Project overview

Objectives



- to **improve information** entities provide in financial statements about financial instruments they have issued
- to **address challenges** with applying IAS 32



* Date subject to the project progressing as planned

Fixed-for-fixed condition—ED proposals



For a derivative on own equity to be classified as **equity**, the amount of consideration to be exchanged for each own equity instrument must be in entity's **functional currency*** and be either:

- fixed; or
- variable solely as a result of either a **preservation adjustment** or **passage-of-time adjustment** or both

*consideration denominated in functional currency of group entity whose shares are delivered (in consolidated financial statements)

Fixed-for-fixed met if a fixed number of one class of own equity instruments is exchanged for a fixed number of another class of own equity instruments (share-for-share exchanges)

Fixed-for-fixed condition—IASB tentative decisions

Fixed-for-fixed = fixed amount of consideration and *either* fixed number of own equity instruments *or* fixed exchange ratio*

*fixed-for-fixed met if consideration denominated in functional currency of *either* group entity issuing derivative *or* group entity whose shares are delivered (in consolidated financial statements)

Allowed adjustments**:

- adjustments that compensate the future holders of equity instruments = future holders in comparable economic position as current holders; no exposure to additional risks
- adjustments that are solely a function of time = predetermined; vary solely with passing of time; no exposure to additional risks

** also apply to share-for-share exchanges

Agenda Papers [5](#), [5A](#), [5B](#), [5C](#) and [5D](#) for the December 2025 IASB meeting and Agenda Papers [5A](#) and [5B](#) for the February 2026 IASB meeting include further details

Contingent settlement provisions—ED proposals



- Financial instruments with contingent settlement provisions could be compound instruments
- Same approach initial and subsequent measurement of financial liability—present value of settlement amount—ignore probability and estimated timing of contingent event
- Discretionary payments in equity, even if all proceeds allocated to liability component
- ‘Liquidation’—process that begins after entity has permanently ceased operations
- ‘Not genuine’ assessment requires judgement—not based solely on probability or likelihood of contingent event

Contingent settlement provisions—IASB tentative decisions

In terms of classification:

- applies to financial instrument (or component) that could require liability-type settlement *only* because of event beyond the control of both issuer and holder
- dividend payments recognised as expenses if shares are wholly *classified* as liabilities
- liquidation—process that has objective of permanently ceasing entity's operations and includes converting assets, paying obligations and settling equity claims
- 'not genuine' assessment—both probability *and* nature of contingent event, including substantive business purpose

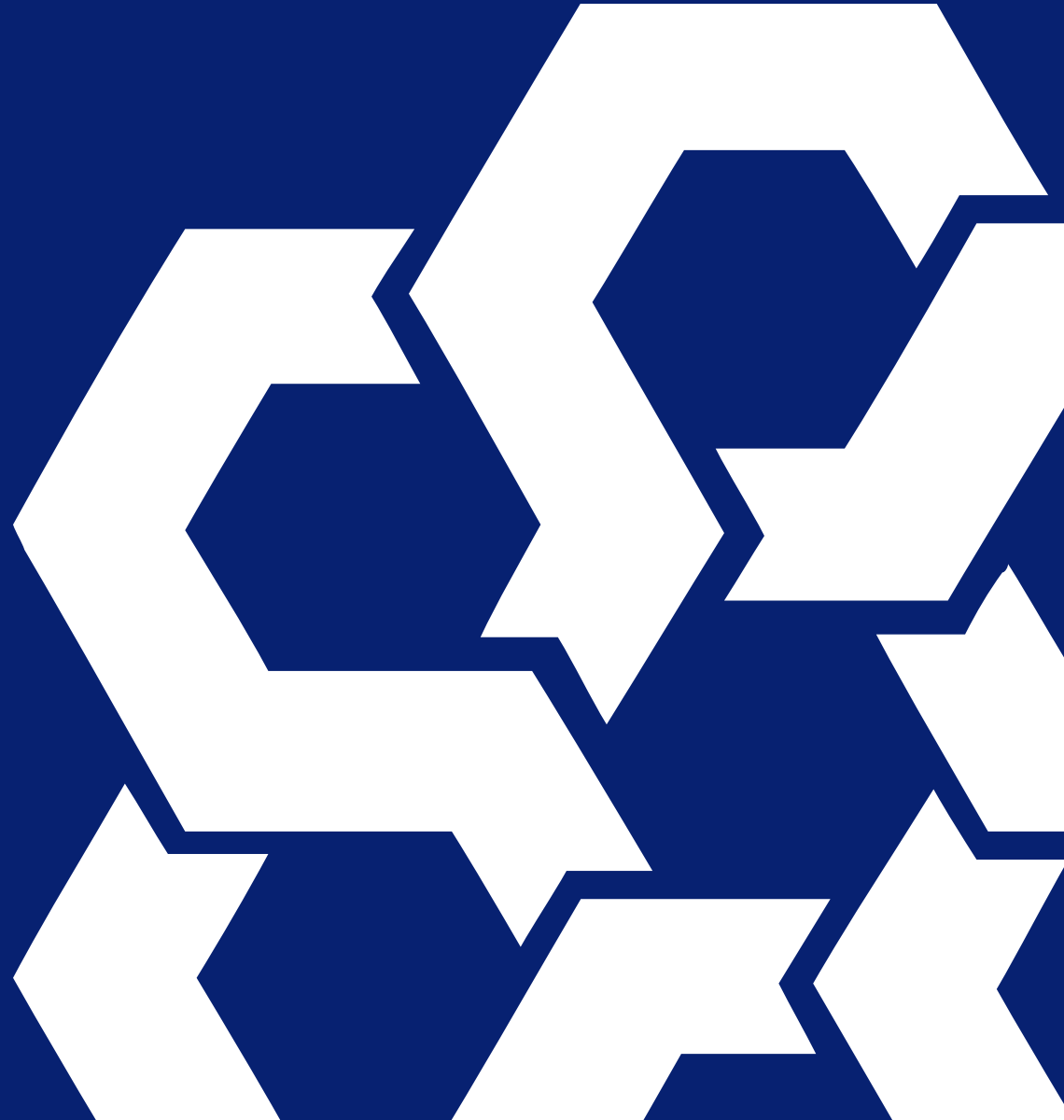
Further analyse *measurement* proposals in Amortised Cost Measurement project

Obligations to purchase own equity instruments—ED proposals

IASB started
redeliberations at
September 2026 meeting

Examples	ED proposals
Written put options on non-controlling interests (NCI) and forward purchase contracts	• Contractual obligation presented on a gross basis—users of financial statements can assess entity's exposure to liquidity risk (paragraph AG27D) • If entity does not yet have access to rights and returns associated with ownership—initial amount debited against component of equity other than NCI/issued share capital (paragraph AG27B) • Same approach for initial and subsequent measurement—present value of redemption amount—ignore probability and estimated timing of holder exercising, discount assuming redemption at earliest possible date (paragraph 23) • Requirements apply also to obligations settled in variable number of another class of own equity (paragraph 23) • On expiry of written put option: ○ include financial liability in same component of equity as that from which it was removed; and ○ can transfer cumulative retained earnings amount to another component of equity (paragraph AG27C)

Amortised Cost Measurement

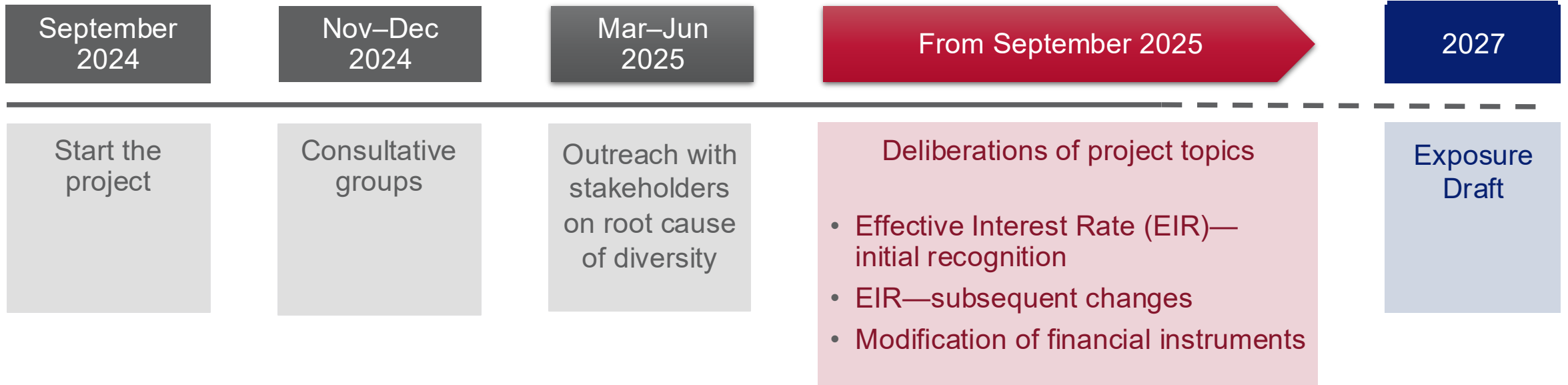


Project overview

Objectives



- to **address challenges** with applying amortised cost measurement requirements in IFRS 9 *Financial Instruments*
- to **improve information** provided to **users** of financial statements about financial instruments measured at amortised cost



Project topics

Key topics for IASB discussion

EIR—initial recognition

Discussion: [September 2025](#)

Outcome:

- No standard-setting

EIR—subsequent changes

Discussion: [April 2026](#)

Outcome:

- Proposed amendment of paragraph B5.4.5 of IFRS 9

(see slide 15)

Modification of financial instruments

Discussion: [February 2026](#) & [June 2026](#)

Outcome:

- Proposed definition of a modification; and
- proposed approach for assessing whether a modification results in derecognition

(see slides 16–18)

Interaction between modification, derecognition and impairment

Discussion: H2 2026

Outcome: TBD

Contingent settlement provisions

Discussion: H2 2026

Outcome: TBD

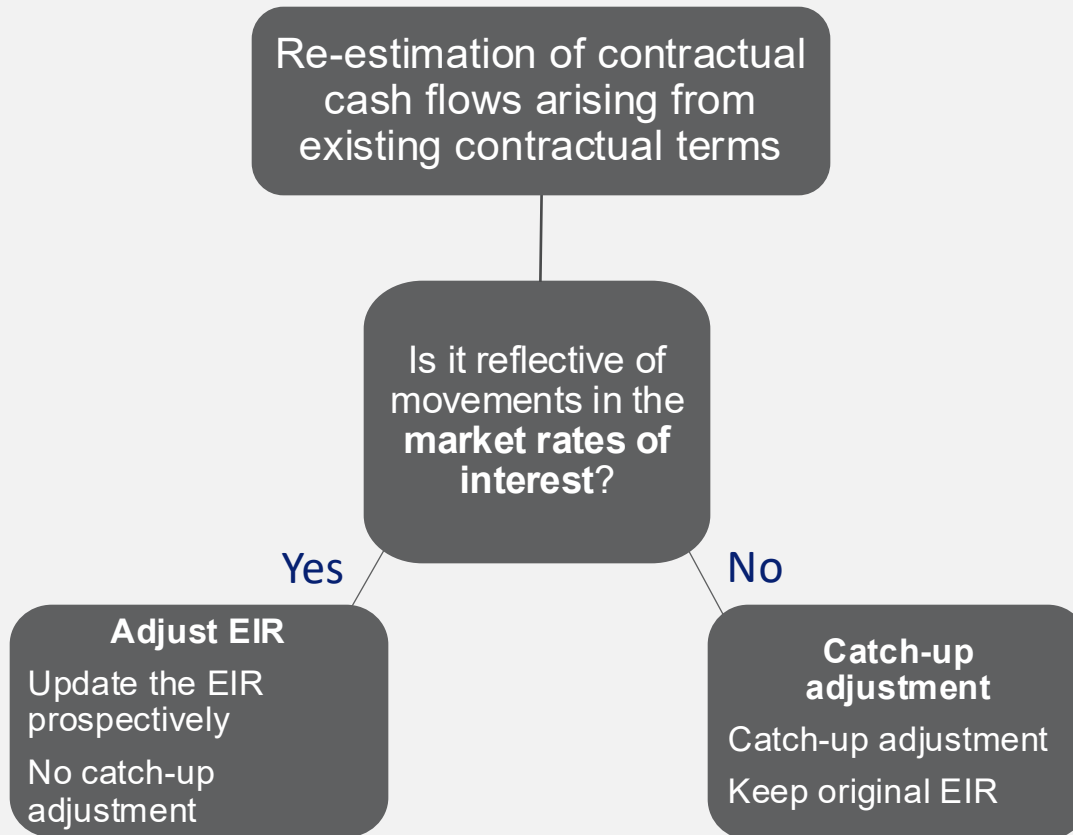
Other matters

Discussion: H2 2026

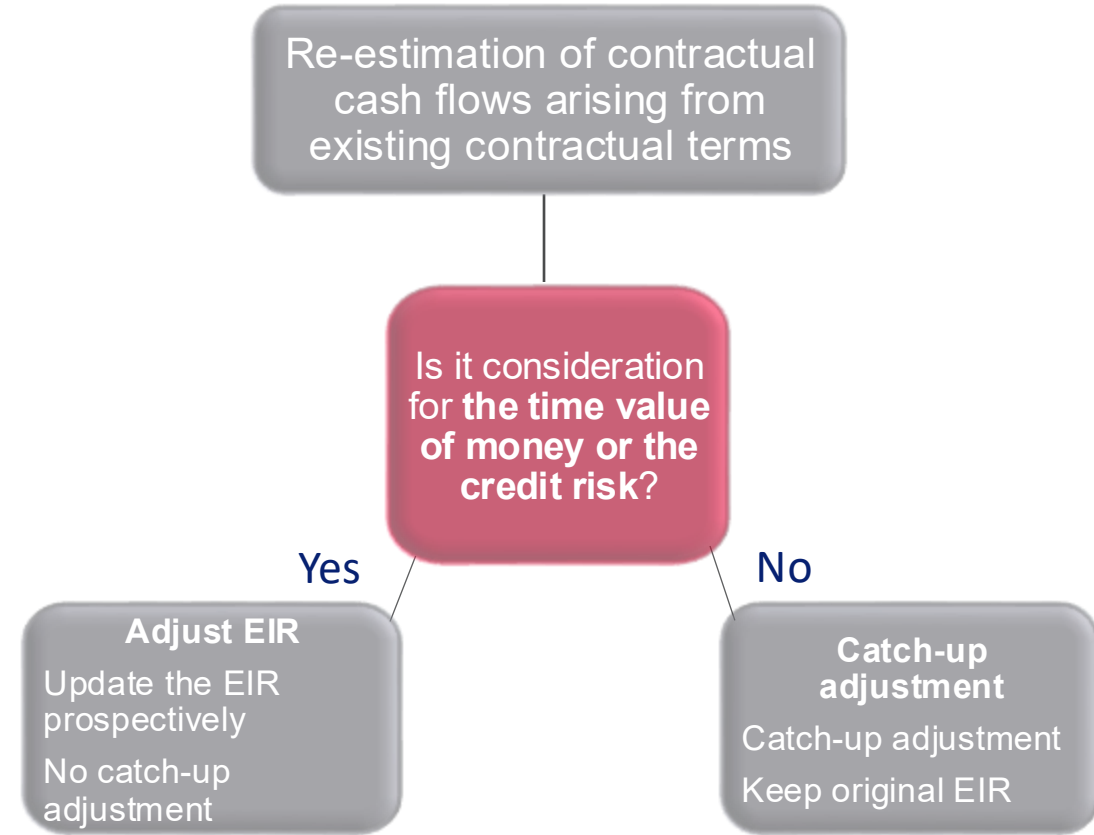
Outcome: TBD

Re-estimation of contractual cash flows

Current IFRS 9 requirements



Tentative decision



What constitutes a modification?

Current IFRS 9 requirements

Financial liabilities

- Paragraph 3.3.2 of IFRS 9—focuses on **modification of the terms** of an existing liability or a part of it

Financial assets

- Paragraph 3.2.3 of IFRS 9—focuses on **contractual rights** when an entity derecognises a financial asset
- Paragraph 5.4.3 of IFRS 9—focuses on **modification of contractual cash flows**



Tentative decision

Financial assets and liabilities

A modification of a financial asset or a financial liability is a change in contractual terms which **changes the nature, timing, amounts or uncertainty** of contractual cash flows

Approach for assessing modifications

Determine whether a modification is substantial...

Is the **nature, timing, amounts, or uncertainty** of the cash flows under the original contractual terms **substantially different** from those under the modified terms?

...considering qualitative and quantitative factors...

Assess a modification using a **holistic analysis** of changes in cash flows, considering qualitative and quantitative factors (see slide 18)

... account for a substantial modification as derecognition

- Derecognise the **existing** instrument
- Recognise modified cash flows as a **'new'** instrument
- Recognise a derecognition **gain or loss** in P/L

Same principle-based approach, applicable to both financial assets and financial liabilities

Approach for assessing modifications (cont.)

- The IASB tentatively decided that assessing whether a modification of a financial instrument is substantial is based on a **holistic analysis** of the changes in the contractual cash flows, considering qualitative and quantitative factors.
- The ‘10 per cent test’ (see paragraph B3.3.6 of IFRS 9) could supplement the analysis but cannot be the decisive factor in isolation.
- The factors an entity considers in determining whether a modification is substantial **include, but are not limited to:**



a change in the **currency** of principal or interest, would suggest the modification is substantial



a change in the **borrower** would suggest the modification is substantial, unless the change is between entities under common control



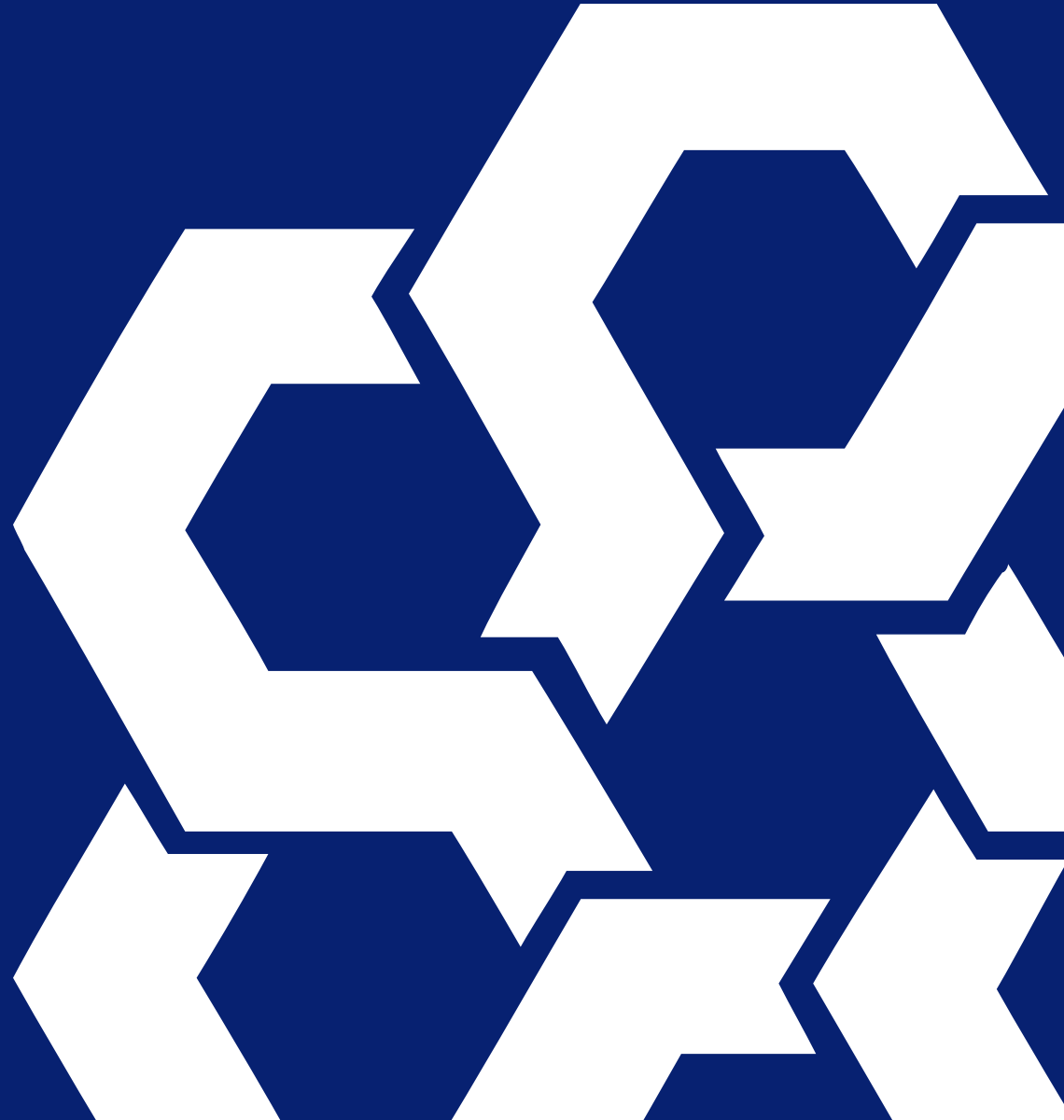
a change in the **cash flow characteristics** that alters the assessment of solely payments of principal and interest for a financial asset; or whether an embedded derivative is separated from the host for a liability. Such a change would suggest the modification is substantial.



a **commercial** renegotiation to reset the financial instrument to current market terms would suggest the modification is substantial. Conversely, a modification attributable to the **borrower's financial difficulty** would suggest the modification is not substantial.

The relevance and weight of a factor would depend on the instrument's type and characteristics and general economic conditions, based on reasonable and supportable information available without undue cost or effort.

Risk Mitigation Accounting



Project overview

Objective of RMA



To **better reflect**:

- how **interest rate risk management** affects amount, timing and uncertainty of cash flows
- the **effect** of risk management activities on the financial statements

Available resources

Exposure Draft package:

- [Exposure Draft: RMA](#)
- [Exposure Draft: RMA—Basis for Conclusions](#)
- [Exposure Draft: RMA—Illustrative Examples and Implementation Guidance](#)

ED Snapshot:

[Exposure Draft *Risk Mitigation Accounting*—
Proposed amendments to IFRS 9 and IFRS 7](#)

Request for fieldwork:

[Request for fieldwork—Exposure Draft *Risk Mitigation Accounting*](#)

Webcasts:

- [Webcast 1: Introducing the Risk Mitigation Accounting consultation](#)
- [Webcast 2: Risk Mitigation Accounting—what it means in practice](#)
- [Webcast 3: Explanations on some proposals in the Exposure Draft](#)

Time to say goodbye... to IAS 39



The ED could be relevant if entities apply **IAS 39** given the proposal to withdraw IAS 39 on finalisation of RMA.

- Risk Mitigation Accounting to supplement the general hedge accounting requirements in chapter 6 of IFRS 9
- Comment letters to inform IASB **how and when IAS 39 could be withdrawn**
- Important to engage all affected stakeholders, because **all companies** that are still applying IAS 39 will be required to transition to IFRS 9, regardless of whether they apply RMA.

We want to know:

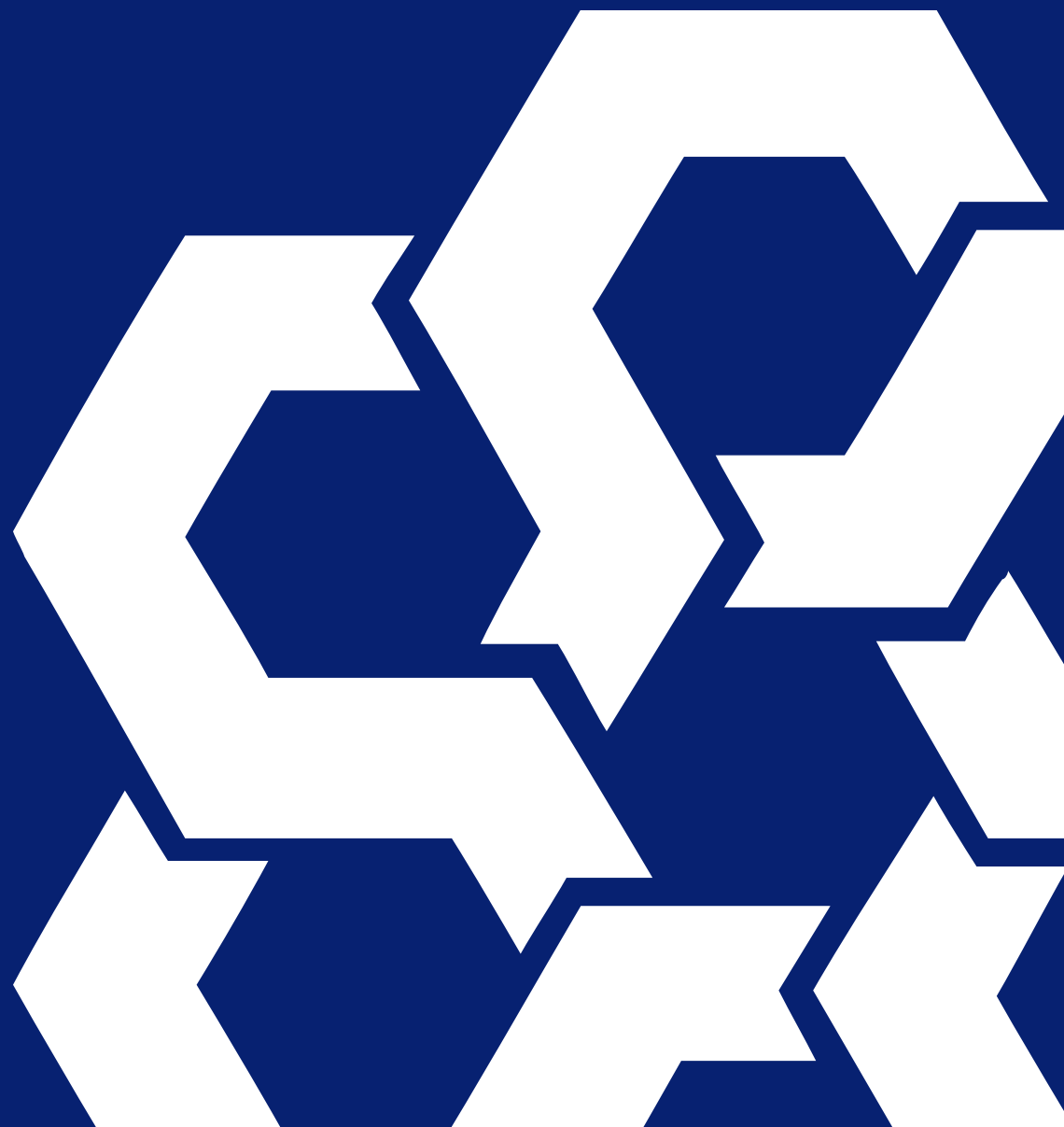


- Implications and possible unintended consequences
- How to ensure an orderly withdrawal including proposed transition period

Common feedback themes

Area	Recurring themes
Eligible underlying portfolios	• Lease receivables and liabilities • FVPL items • Equity instruments and equity modelling • Intercompany transactions
Net Repricing Risk Exposure	• Use of risk metrics and repricing time bands • The role of RMO and benchmark derivatives • The meaning of ‘over-hedging’ and ineffectiveness
Measurement & Presentation	• Identification of ‘unexpected changes’ • Assessing and measuring excess of RM adjustment • Location of the RM adjustment (interaction with IFRS 17)
Transition & Disclosure	• Construction of benchmark derivatives on transition • Extent and nature of proposed disclosures

Post-implementation Review of IFRS 9—Hedge Accounting



IASB started PIR of IFRS 9—Hedge Accounting in Q1 2026

PIR includes:

- hedge accounting requirements in **IFRS 9**
- hedge accounting disclosure requirements in **IFRS 7**

Preliminary outreach feedback...

- Hedge accounting requirements in IFRS 9 generally working as intended, with the initial and ongoing costs largely as expected
- Stakeholders have mixed views on whether the hedge accounting disclosure requirements in IFRS 7 provide users with decision-useful information

Request for Information (RFI)



- RFI publication date: 28 September 2026
- Stakeholder feedback on the questions in the RFI allows the IASB to assess whether the requirements are working as intended
- Comments are most helpful when they address the specific questions asked and are supported by evidence



- Comment deadline: **26 January 2027**
- Stakeholders can submit their comments **online** (ifrs.org/projects/open-for-comment) or via **email** (commentletters@ifrs.org)

Questions in the RFI

	Question 1 IFRS 9 hedge accounting requirements	Question 2 IFRS 7 hedge accounting disclosure requirements
Objective	Do the requirements meet their objective?	
Costs	Are the overall initial and ongoing costs of applying the requirements, and auditing and enforcing their application largely as the IASB expected?	
Benefits	Are the overall benefits to users of the information resulting from entities applying the requirements largely as the IASB expected?	

Get involved

Learn more

- Access [IFRS Accounting Standards](#)
- Explore materials for the [consistent application of Standards](#)
- Respond to [consultations](#)

Track progress

- Watch [IASB meetings](#)
- Listen to [podcasts](#)
- Register for [news alerts](#)