30 Cannon Street, London EC4M 6XH, United Kingdom
Phone: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: http://www.iasb.org

International
Accounting Standards
Board

INFORMATION FOR OBSERVERS

Board Meeting: **February 2009, London**

Project: **Derecognition**

Subject: **Disclosure requirements (Agenda paper 2)**

INTRODUCTION

1 This paper presents the proposed disclosure requirements to be included in the derecognition exposure draft. Agenda paper 2Ca illustrates some of the quantitative disclosures proposed in this paper. The proposed disclosure requirements are presented as one package and we have identified whether the disclosures would be required for Approach 1, Approach 2 or both.

2 The Board discussed linked presentation in the context of Approach 2 at its January meeting. It tentatively decided that linked presentation should be used in the notes to the financial statements for transferred assets that are not derecognised and for which the transferee has no recourse to the transferor. That decision is included as part of the proposals in paragraph 28(e) of this paper. At that meeting, the Board also had some preliminary discussions about disclosures required when transferred financial assets are derecognised—eg some Board members suggested that gross information (eg value of assets transferred) might be useful to support a net figure (eg derivative

instrument held by the transferor) included in the statement of financial position. Again we have incorporated those discussions in the proposed disclosure requirements for derecognised financial assets in paragraph 19 of this paper.

3 In preparing the disclosure package, we reviewed the disclosure requirements of IFRSs, IASB exposure drafts (including the consolidation exposure draft), and US GAAP material, and the financial statements of major banks. Some of the proposed disclosure requirements are similar to requirements of IFRS 7 *Financial Instruments: Disclosures*. IFRS 7, however, asks for the information by class of financial instrument or for particular types of risk whereas we would ask for the information specifically in relation to continuing involvement in transferred financial assets. The appendix to this paper includes a summary of the proposed disclosure requirements, indicating whether there are similar requirements in IFRS 7 or in the consolidation exposure draft (ED10) published in December 2008.

4 For information purposes, IFRS 7 requires the following disclosures specific to derecognition:

> 13 An entity may have transferred financial assets in such a way that part of all of the financial assets do not qualify for derecognition (see paragraphs 15-37 of IAS 39). The entity shall disclose for each class of such financial assets:
> (a) the nature of the assets;
> (b) the nature of the risks and rewards of ownership to which the entity remains exposed;
> (c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and
> (d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

STAFF RECOMMENDATIONS

5 We recommend:

(a) for Approach 1, including in the exposure draft the proposed disclosure requirements in paragraphs 17-20 of this paper.

(b) for Approach 2, including in the exposure draft the proposed disclosure requirements in paragraphs 17-20 and paragraph 28 of this paper.

(c) including the proposed disclosure requirements as amendments to IFRS 7.

DISCLOSURE OBJECTIVES

The need for disclosures relating to transfers of financial assets

6 IFRS 7 applies to all types of financial instruments. It requires disclosures about an entity's financial assets and liabilities and about the risks to which an entity is exposed at the end of the reporting period. Given that the derecognition exposure draft addresses financial instruments only, there is a question as to whether we need specific disclosures for transfers of financial assets. Aren't the disclosure requirements in IFRS 7 at present sufficient? Why would users need more information about, for example, a put option to repurchase assets that it previously owned, when compared to a put option that it writes on similar assets that it never owned?

7 The response to that question from users of financial statements is that they want more information about derivatives and other financial instruments that an entity holds after transferring financial assets. They view an option to repurchase previously-owned assets as different from an option to purchase assets that were not previously owned, even if those options expose an entity to exactly the same risks. Indeed, some users have asked for derecognition of financial assets on a 'no continuing involvement' basis—see paragraphs 13 and 14 for further information. Therefore, this paper proposes disclosure requirements specifically relating to transfers of financial assets to meet those needs of users.

8 Some have suggested that disclosures relating to transfers of financial assets and unconsolidated entities should be addressed as part of a wider project on IFRS 7. They argue that if current disclosure requirements are inadequate about financial instruments that are used to retain continuing involvement in transferred assets or structured entities, then surely the disclosure requirements for all financial instruments that expose an entity to the same types of risk are also inadequate.

9 We are of the view that if comments received on the disclosure package in the derecognition exposure draft are favourable and indicate that additional disclosures would be useful, then the Board could decide to address disclosures as a separate exercise and possibly publish the disclosure requirements as amendments to IFRS 7 in advance of finalising the derecognition accounting requirements. Such a separate

exercise could incorporate the disclosure proposals in the consolidation and derecognition exposure drafts.

The disclosure objectives

10 This paper splits the proposed disclosure requirements into two distinct sections, for which there are different disclosure objectives:

Disclosure requirements about:	Disclosure objectives To provide users of financial statements with information:
transferred financial assets that are derecognised (both Approach 1 and Approach 2)	(1) about the nature of and risks associated with an entity's continuing involvement with derecognised financial assets.
	(2) that will help to reconstruct an entity's financial statements on the basis of a 'no continuing involvement' approach to derecognition.
transferred financial assets that are not derecognised (Approach 2 only) [1]	(3) about the relationship between assets and associated liabilities when an entity transfers but continues to recognise financial assets.

11 Disclosure objectives (1) and (2) and the proposed disclosure requirements to meet those objectives are the same for both approaches. However those disclosure requirements could lead to very different disclosures being made because some assets are derecognised according to Approach 1 and not derecognised according to Approach 2—ie for Approach 2, the requirements would be limited to continuing involvement in readily obtainable transferred assets or those that transfer a proportionate share of cash flows of a financial asset. Those disclosures would provide information for those parties particularly concerned about repurchase agreements.

Transferred financial assets that are derecognised

<u>Disclosure objective (1): Nature of and risks associated with continuing involvement</u>

12 When an entity retains continuing involvement in financial assets that it has derecognised, we think that users of financial statements should be informed about the risks to which the entity remains exposed. Information about the risks associated with an entity's continuing involvement provides users with information relevant in assessing the amount, timing and uncertainty of the entity's future cash flows.

<u>Disclosure objective (2): 'No continuing involvement' approach to derecognition</u>

[1] Because the vast majority of transfers of financial assets will be derecognised according to Approach 1, we do think that it is necessary to require disclosures about those that are not derecognised for Approach 1.

13 Both Approach 1 and Approach 2 are control models. They permit the derecognition of financial assets when an entity retains continuing involvement in some instances, although Approach 1 is less restrictive than Approach 2. We understand that, for analysis purposes, users of financial statements would like information to be able to reconstruct an entity's financial statements on the basis of a 'no continuing involvement' approach to derecognition—ie financial assets being derecognised only when the transferor has no continuing involvement with the transferred assets. Therefore, we have proposed some disclosures specifically to meet this objective.

14 The result is that users of financial statements would have two reference points for each Approach—financial statements prepared on the basis of a control approach to derecognition (as proposed in Approach 1 or Approach 2), and disclosures on the basis of a 'no continuing involvement' approach to derecognition.

Transferred financial assets that are not derecognised

<u>Disclosure objective (3): relationship between assets and associated liabilities</u>

15 When financial assets are transferred but not derecognised, there has been a contractual event that may not be captured fully by the accounting that treats any cash received as a secured borrowing. Therefore, we think that it is useful to understand the relationship between transferred financial assets and the associated liabilities that the entity recognises, so that users can identify both:

(a) economic benefits from assets that the entity cannot use in an unrestricted manner (eg cash flows that can only be used to settle specific obligations), and

(b) liabilities for which the counterparties do not have claims against the assets of the entity in general (non-recourse loan arrangements).

PROPOSED DISCLOSURE REQUIREMENTS

16 The following paragraphs detail the disclosure requirements that we propose to include in the derecognition exposure draft under each of the disclosure objectives discussed in paragraphs 10-15 above. After each disclosure, we note what users will gain from the disclosure and also note whether similar information is already required by IFRS 7—both pieces of information are written inside parenthesis, in italics.

Transferred financial assets that are derecognised (both Approach 1 and Approach 2)

Disclosure objective (1): Nature of and risks associated with continuing involvement

17 We propose that an entity provide users with information about derecognised financial assets in which it has continuing involvement sufficient to assess the risks associated with the entity's continuing involvement **at the reporting date**. That information should be presented in tabular format, unless another format is more appropriate, and should include:

(a) the carrying amount of the assets and/or liabilities recognised in the entity's statement of financial position relating to its continuing involvement, and the line items in which those assets and liabilities are recognised.[2]
[provides a link to the amounts recognised in the entity's statement of financial position relating to its continuing involvement. IFRS 7 requires such disclosure by class of financial instrument, but not specifically for an entity's continuing involvement in transferred financial assets.]

(b) the fair value of those assets and liabilities relating to the entity's continuing involvement.[3]
[gives an indication of the current value of the continuing involvement and therefore provides information useful in assessing future cash flows. IFRS 7 requires such disclosure by class of financial instrument, but not specifically for an entity's continuing involvement in transferred financial assets. Paragraphs 25-30 of IFRS 7 require disclosure of how fair value is calculated by class of financial instrument. We do not think that it is necessary to ask for that information specifically for an entity's continuing involvement in transferred financial assets.]

(c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement, including how the maximum exposure to loss is determined.[4]
[provides information about an entity's exposure to risk by providing a boundary of the maximum losses that the entity could suffer from its continuing involvement. Together with the fair value information, it informs users about the extent of losses possible as well as the expected losses to some extent. IFRS 7 requires

[2] Illustrated in agenda paper 2Ca.
[3] Illustrated in agenda paper 2Ca.
[4] Illustrated in agenda paper 2Ca.

disclosure of maximum exposure to credit risk by class of financial instrument. We think that it is useful to have maximum exposure to loss information specifically relating to continuing involvement with transferred financial assets because the risk that arises from retaining continuing involvement does not only relate to credit risk—the exposure to loss information would capture all types of risk.]

(d) a maturity analysis for undiscounted cash outflows to repurchase the transferred assets that shows the remaining contractual maturities of the entity's continuing involvement.[5] This analysis should distinguish between cash flows that are required to be made (eg forward contracts), those that the entity might be required to make (eg written put options) and those that the entity might choose to make (eg purchased call options). In preparing the analyses, the entity would use judgement to determine the appropriate number of time bands. If there is a range of possible maturities, the cash flows should be included on the basis of the earliest date on which the entity could be required or permitted to pay. *[provides information about the timing and amount of future cash outflows and about the timing of the return of transferred financial assets to the entity (the transferor). The disclosure relate to cash outflows that are anticipated but not recognised as financial liabilities on the entity's statement of financial position. IFRS 7 requires similar maturity analyses but for financial liabilities. However the purpose of the disclosure requirements of IFRS 7 in this respect is different. IFRS 7 disclosures address liquidity risk, and tell users about the entity's cash flow needs in terms of meeting its commitments to repay liabilities from its resources (assets).]*

(e) a sensitivity analysis showing the possible effect on the fair value of the continuing involvement of changes in the relevant risk variable that were reasonably possible at the reporting date. The entity should disclose a description of the methods and assumptions used in preparing the sensitivity analysis. *[provides users with information about the entity's exposure to risk from changes in the main drivers of the risk underlying the continuing involvement. IFRS 7 requires sensitivity analysis for each type of market risk to which an entity is*

[5] Illustrated in agenda paper 2Ca.

exposed but not specifically for an entity's continuing involvement in transferred financial assets.]

(f) qualitative information about each category of continuing involvement that provides support for the quantitative information required in bullets (a) – (e) above. That information would include a description of the transferred financial assets and the nature and purpose of retaining continuing involvement after the transfer of those assets. It would also include a description of the risks to which the entity is exposed, which would include:

i a description of how the entity manages the risk inherent in its continuing involvement.

ii whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by each category of party involved.

iii a description of triggers associated with obligations to provide financial support.

[qualitative information that supports the quantitative disclosures provides users with a complete picture of the risks to which the entity is exposed from its continuing involvement in transferred financial assets. Some have requested disclosure about leverage and the risk that is retained in an entity's continuing involvement (for example, disclosure that highlights the leverage in a subordinated beneficial interest in transferred assets). We think that a combination of disclosures of the fair value of the transferred assets, the fair value of the continuing involvement, the maximum exposure to loss and qualitative information about the subordination of the continuing involvement and whether it exposes the entity to first loss risk should be sufficient for users to be able to understand the risk retained by the entity.]

18 We would propose that the information required in paragraph 17 should be classified into categories that are representative of the entity's exposure to risk, as determined by management.

<u>Disclosure objective (2): 'No continuing involvement' approach to derecognition</u>

19 We propose that an entity provides information about derecognised financial assets in which it has continuing involvement that will help users reconstruct the entity's financial statements on the basis of a 'no continuing involvement' approach to derecognition. That information should be presented in tabular format, unless another format is more appropriate, and should include:

(a) at the reporting date, the fair value of the transferred financial assets, including how fair value has been calculated.[6]

[provides information to reconstruct the assets side of the 'no continuing involvement' statement of financial position. In addition, it provides information about the assets that might, or are required to, return to the entity at some point in the future (if the entity's continuing involvement relates to repurchasing the assets). It also provides information about the quality of the assets to which the entity's continuing involvement relates (for example, this would be relevant if the entity's continuing involvement was to provide credit enhancement when the value of the transferred assets decreased to a particular level).]

(b) at the reporting date, the present value of any cash outflows to repurchase the transferred financial assets.[7]

[provides information useful in reconstructing the liabilities side of the 'no continuing involvement' statement of financial position. In addition, it provides information useful in assessing future cash flows. We think that it would be impractical to ask an entity to provide information about the liability that would be recognised if particular assets had not been derecognised (effectively, this would mean asking for the present value of cash that was received at the time of transfer in previous periods).]

(c) at the date of transfer:

i the carrying amount of the original assets that have been recognised,

ii cash received,

[6] Illustrated in agenda paper 2Ca. This disclosure relates to all financial assets derecognised in previous reporting periods and the current reporting period in which the entity retains continuing involvement at the reporting date. We think that if an entity retains some form of continuing involvement in the transferred financial assets, it should be able to obtain the fair value information for those assets in terms of managing its exposure to risk.

[7] Illustrated in agenda paper 2Ca.

iii the carrying amount of any other assets obtained (or liabilities incurred) in connection with the transfer, and

iv the gain or loss on derecognition, and the line item(s) in which the gain or loss is included.[8]

An entity should present the information for each of the periods for which a statement of comprehensive income is presented. An entity should indicate if a gain or loss on derecognition arose because the fair values of the components of the original asset (the interest in the asset transferred and the interest retained by the transferor entity) were different from the fair value of the original asset as a whole. In that case, the entity should also disclose the extent to which the fair value calculations were dependent on level 3 inputs (as defined in the forthcoming amendments to IFRS 7).
[provides information useful in reconstructing the entity's profit or loss on a 'no continuing involvement' basis. In addition, it gives users an indication of the proportion of an entity's profits and cash flows that arise from transferring financial assets, and highlights if a gain or loss arose because of differences in the fair value measurement of components of an asset versus the asset as a whole. In order to reconstruct the entity's profit or loss on a 'no continuing involvement' basis, users would also need information about gains or losses that should have been recognised on a 'no continuing involvement' basis relating to assets that the entity derecognised in previous periods. However we think that it is impractical to ask an entity to provide such information.]

(d) if transfer activity is concentrated around the end of reporting periods, an entity should disclose that fact and the volume (amount) of that transfer activity in those periods. An entity should present the information for each of the periods for which a statement of comprehensive income is presented. [9]
[provides an indication of whether transfer transactions are undertaken for the purpose of altering the appearance of the statement of financial position rather than for an ongoing commercial or financing purpose.]

[8] Illustrated in agenda paper 2Ca.
[9] Transfer activity in this context refers to transfers of financial assets that are derecognised and re-recognised around the end of interim and annual reporting periods.

(e) income and expenses recognised by the entity from its continuing involvement during the reporting period (for example, this would include servicing fees and fair value movements on derivative instruments), and the line items in which those income and expenses are included.

[provides an indication of the proportion of an entity's profits that relate to an entity's continuing involvement in transferred financial assets. In addition, informs users about the success of an entity's decision to retain continuing involvement in transferred assets (for example, it is useful to know whether an entity generates profits from its continuing involvement or whether it continuously incurs losses.]

20 An entity should also provide any additional information that it considers necessary to meet the disclosure objectives.

Scope of proposed disclosure requirements for derecognised financial assets

21 Respondents to the FASB exposure draft proposing amendments to the disclosure requirements for transferred financial assets commented on the scope of the requirements. Without a 'descriptor' or adjective added to the phrase 'continuing involvement', respondents were concerned that straight forward, market based transactions with a transferee would be captured by the proposals. They suggested that providing such information would not only ask for unnecessary information (because such transactions are covered by other disclosure requirements for financial instruments) but it might cloud disclosures of significant continuing involvement with transferred assets.

22 This raises the question as to whether we should add a 'descriptor' or adjective when discussing continuing involvement in order to narrow the scope of the proposed disclosures.

23 The Board has tentatively decided that:

> Continuing involvement in a transferred financial asset or component thereof represents retention of any contractual rights and/or contractual obligations inherent in the asset or the acquisition of any new contractual rights and/or contractual obligations relating to the asset (eg any interest in the future performance of the asset or a responsibility to make payments in the future in respect of the asset under any circumstance).

24 If we were to use an adjective such as 'significant' to describe continuing involvement (and therefore ask for the proposed disclosures when an entity has

significant continuing involvement with financial assets that it has derecognised), this is likely to lead to the question: ‘what does significant mean’? In response, we could describe it as continuing involvement that exposes an entity to significant risks associated with the transferred assets. Another option would be to ask for the proposed disclosures only when an entity has continuing involvement with transferred financial assets that exposes the entity to particular risks, such as when the entity is exposed to asset-specific risks. However we think that neither of these options would help—the definition of continuing involvement implies that an entity will be exposed to asset-specific risks or, put another way, risks associated with the transferred assets. Therefore, such descriptors would not help in narrowing the scope of the proposed disclosures.

25 Another option would be to use ‘significant continuing involvement’ without defining what we mean by significant. We would therefore ask management to apply judgement in determining whether continuing involvement is significant. We use significant in other IFRSs without defining it precisely. However we do not think that this is ideal either.

26 A third option would be to require disclosures about continuing involvement only when that continuing involvement relates to transfers of non-readily obtainable financial assets. There is often more concern about an entity’s exposure to risks from its continuing involvement with non-readily obtainable financial assets that are derecognised (eg receivables) than with those that are readily obtainable (eg listed equity securities). This option would effectively mean that we would not ask for any of the proposed disclosures in paragraphs 17-20 for Approach 2 because non-readily obtainable financial assets would not be derecognised if an entity retained continuing involvement. However again, we do not think that this is an appropriate way to narrow the scope of the requirements. Continuing involvement with transferred financial assets that are readily obtainable is not automatically less risky simply because the assets are readily obtainable. We think that if the disclosures about continuing involvement are useful for transfers of non-readily obtainable financial assets, they must also be useful for transfers of readily obtainable financial assets. In addition, we are aware that some are particularly concerned about repurchase agreements, irrespective of whether they relate to readily obtainable or non-readily obtainable financial assets.

27 Therefore, we recommend not adding any adjective or other phrase when describing continuing involvement. The concept of materiality underlies all disclosure requirements in IFRSs and, thus, an entity should only disclose information that is 'material', as defined in IAS 1 *Presentation of Financial Statements*.[10]

Questions for the Board – proposed disclosure requirements for transferred financial assets that are derecognised

1. Do you agree with disclosure objectives (1) and (2) discussed in paragraphs 10-14 and, if so, do you think that the proposed disclosure requirements in paragraphs 17-20 meet those objectives? What should be added or removed and why?

2. Paragraph 18 proposes that an entity should classify its continuing involvement into categories that are representative of the entity's exposure to risks. However we could prescribe how the information should be categorised, such as by type of continuing involvement (eg repurchase agreements, call options, servicing, guarantees, etc.) or by type of transfer (eg securities lending, repurchase agreements, factoring, receivables securitisations, etc.). Do you agree with the proposal? If not, what categorisation should we prescribe in the exposure draft and why?

3. As discussed in paragraphs 21-27, do you agree that we should not attempt to narrow the scope of the requirements by adding an 'adjective' or other phrase when describing continuing involvement? If not, what adjective or phrase should be used and why?

4. If you disagree with disclosure objectives (1) and (2), what should the disclosure objective be and what disclosure requirements would you propose? How do your disclosure objectives and requirements meet the needs of users of financial statements regarding transfers of financial assets that are derecognised but in which the transferor has some form of continuing involvement?

Transferred financial statements that are not derecognised (Approach 2 only)

<u>Disclosure objective (3): relationship between assets and associated liabilities</u>

[10] IAS 1 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* define material as 'omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.'

28 We propose that an entity provide users with information about transferred financial assets that are not derecognised sufficient to understand the relationship between the assets and associated liabilities after the transfer. That information should include, by class of financial asset:

(a) the nature of the assets transferred.

(b) the carrying amounts of the assets and of the associated liabilities.[11]

(c) when the entity continues to recognise a portion of the transferred assets, the carrying amount of the original assets.
[disclosures (a), (b) and (c) are carried forward from IFRS 7 paragraph 13.]

(d) the nature of the risks to which the entity remains exposed. This information would include a description of the nature of the relationship between transferred assets and associated liabilities, including any restrictions on the transferred assets (for example, assets that are restricted solely to satisfy a specific obligation).
[IFRS 7 paragraph 13 requires disclosure of the nature of risks to which the entity remains exposed. We have carried this forward and added a description of the nature of the relationship between assets and associated liabilities because it provides information useful in understanding the extent to which the economic benefits generated from assets of an entity cannot be used in an unrestricted manner, as is implied when asset are controlled and recognised in the statement of financial position. It will also provide information about liabilities for which the counterparties do not have claims against the assets of the entity in general. This information is useful in assessing the cash flow needs of the entity.]

(e) when the counterparty to an associated liability has recourse only to the transferred asset, a schedule linking the fair value of the transferred asset and the fair value of the associated liability, and disclosing the fair value of the entity's net position (eg the fair value of an option to repurchase the transferred assets).[12]
[provides a means of understanding the net exposure of the entity following a

[11] Illustrated in agenda paper 2CA.
[12] Illustrated in agenda paper 2CA.

transfer transaction that fails derecognition. It also links a liability with its related asset when the liability will be settled entirely from the proceeds received from the assets, providing information about the cash flow needs of the entity.

This proposed disclosure requirement reflects the decision of the Board at its January meeting to require linked presentation in the notes to the financial statements for financial liabilities that have recourse only to transferred financial assets. However at that meeting the Board did not decide on the measurement of the assets and liabilities to be linked—at fair value or at their carrying amount—see question 6 below.

It is also worth noting that paragraph 26 of IFRS 7 permits the offsetting of fair value disclosures of financial assets and liabilities only to the extent that the carrying amounts are offset in the statement of financial position. This proposal might appear to contradict that requirement. However the requirement in paragraph 26 of IFRS 7 relates only to the disclosure of fair value by class of financial instrument, and is included so that the fair value can be compared to the carrying amount of each class of financial instrument. We do not think that this proposal would create an inconsistency within IFRS 7.

Questions for the Board – proposed disclosure requirements for transferred financial assets that are not derecognised

5. Do you agree with disclosure objective (3) discussed in paragraphs 10 and 15 and, if so, do you think that the proposed disclosure requirements in paragraph 28 meet that objective? What should be added or removed and why?

6. Paragraph 28(e) above proposes linked presentation for the fair value of transferred financial assets and the associated liabilities when the counterparty to a financial liability has recourse only to the transferred assets. This proposal reflects the decision of the Board at its January meeting, except that the Board did not, at that meeting, decide on the measurement of the assets and liabilities to be linked—fair value or the carrying amounts of the assets and liabilities. We are proposing that the fair value of the asset and associated liability should be linked because the sum of those two amounts if not equalling the fair value of the entity's net position (eg the fair value of a derivative instrument held by the entity) could be reconciled to the fair value of the entity's net position. Agenda paper 2Ca illustrates the linked presentation disclosures proposed in paragraph 28(e). Do you agree with the proposal? If not, do you think that the carrying amount of the assets and associated liabilities should be linked? If so, why?

7. If you disagree with disclosure objective (3), what should the disclosure objective be and what disclosure requirements would you propose? How do your disclosure objectives and requirements meet the needs of users of financial statements regarding transfers of financial assets that are not derecognised?

APPENDIX: SUMMARY OF THE PROPOSED DISCLOSURE REQUIREMENTS

Para ref in this paper	Proposed disclosure requirements	Similar requirements in IFRS 7	Similar requirements in the consolidation ED (ED10)
	Transferred financial assets that are derecognised (Approach 1 and Approach 2)		
17(a)	The carrying amount of the assets and/or liabilities recognised relating to an entity's continuing involvement, and the line items in which those assets and liabilities are recognised.	Similar disclosures required by class of financial instrument (IFRS 7 para 8).	Similar disclosures required relating to an entity's involvement with structured entities.
17(b)	The fair value of those assets and liabilities relating to the entity's continuing involvement.	Similar disclosures required by class of financial instrument (IFRS 7 para 25).	
17(c)	Maximum exposure to loss from the entity's continuing involvement, and how it is calculated.	Maximum exposure to credit risk by class of financial instrument (IFRS 7 para 36).	Similar disclosures required relating to an entity's involvement with structured entities.
17(d)	A maturity analysis for undiscounted cash outflows to repurchase transferred assets that shows the remaining contractual maturities of the entity's continuing involvement (the cash outflows are not recognised as financial liabilities), and distinguishes the cash flows that are required to be made from those that are optional.	A maturity analysis for financial liabilities that shows the remaining contractual maturities (specifically addresses liquidity risk).	
17(e)	A sensitivity analysis showing the possible effect on the fair value of the continuing involvement of changes in the relevant risk variable that were reasonably possible at the reporting date.	A sensitivity analysis for each type of market risk to which the entity is exposed showing effects on profit or loss and equity.	
17(f)	Qualitative information about each category of	Qualitative disclosures for each type of risk arising	Similar disclosures required relating to an

APPENDIX: SUMMARY OF THE PROPOSED DISCLOSURE REQUIREMENTS

Para ref in this paper	Proposed disclosure requirements	Similar requirements in IFRS 7	Similar requirements in the consolidation ED (ED10)
	continuing involvement.	from financial instruments.	entity's involvement with structured entities.
19(a)	The fair value of the transferred financial assets, including how fair value is calculated.		The reported value of assets held by structured entities with which the entity has involvement.
19(b)	The present value of cash outflows to repurchase the transferred financial assets.		
19(c)	At the date of transfer, the carrying amount of the original assets, cash received, the carrying amount of any other assets obtained (or liabilities incurred) in connection with the transfer, and the gain or loss on derecognition. Includes an indication of any gain or loss on derecognition that arose because the fair value of the components of the original asset were different from the fair value of the original asset as a whole, and if this is the case, the extent to which the fair value calculations were dependent on level 3 inputs.		
19(d)	If transfer activity is concentrated around the end of reporting periods, disclosure that fact and the volume (amount) of transfers undertaken in those periods.		
19(e)	Income and expenses recognised by the entity from its continuing involvement during the reporting period.		
20	Any additional information considered necessary to		Similar 'catch-all'

APPENDIX: SUMMARY OF THE PROPOSED DISCLOSURE REQUIREMENTS

Para ref in this paper	Proposed disclosure requirements	Similar requirements in IFRS 7	Similar requirements in the consolidation ED (ED10)
	meet the disclosure objectives.		requirement
	Transferred financial assets that are not derecognised (Approach 2 only)		
28(a)	The nature of the assets transferred.	Same required by IFRS 7 para 13.	
28(b)	The carrying amounts of the assets and associated liabilities.	Same required by IFRS 7 para 13.	
28(c)	When the entity continues to recognise a portion of the transferred assets, the carrying amount of the original assets.	Same required by IFRS 7 para 13.	
28(d)	The nature of risks to which the entity remains exposed, including a description of the nature of the relationship between an asset and associated liability.	Nature of risks required by IFRS 7 para 13.	
28(e)	Linked presentation of the fair value of the assets and associated liabilities, and the fair value of the entity's net position, for non-recourse liabilities.		