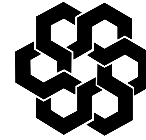

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International
Accounting Standards
Board

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.
These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: **22 January 2009, London**

Project: **Improving Disclosures about Financial Instruments (proposed amendments to IFRS 7)**

Subject: **Proposed amendments on liquidity risk disclosures (Agenda paper 14B)**

WHAT THE ED PROPOSED

1. In summary, the ED proposed:
   a) requiring entities to disclose a maturity analysis for derivative financial liabilities based on how the entity manages the liquidity risk for such instruments. That is, not based on contractual maturities unless that is the way liquidity risk is managed;
   b) requiring entities to disclose a maturity analysis for non-derivative financial liabilities based on remaining expected maturities if the entity manages liquidity risk for any such liabilities that way. (In addition, contractual maturities for all non-derivative liabilities would continue to be required); and
   c) an amended definition of liquidity to clarify the scope of the disclosures.

Appendix A includes the relevant paragraphs from the ED.

OVERVIEW OF COMMENTS RECEIVED

2. Almost all respondents welcome the proposal that allows entities to only disclose the liquidity risk of derivative financial liabilities based on how this risk is managed, although there appeared to be some confusion as to what that exactly means for some types of instruments.

3. However, respondents' views on the other proposed liquidity risk disclosures ranged widely. Some disagreed with requiring different maturity analyses for derivative and non-derivative financial liabilities. Some believe entities should be allowed to only disclose on the basis of how liquidity risk is managed. Some believe the current requirement to disclose on the basis of contractual maturities should be retained for all types of financial liabilities.

4. Other common points made include:
   a) any amendments should mandate disclosure of a maturity analysis of financial assets used in managing liquidity risk – especially for financial institutions.
   b) the proposed definition of liquidity risk should be extended or clarified.

ANALYSIS OF RESPONSES TO THE QUESTIONS SET OUT IN THE ED

5. The ED invited responses to three questions on the proposed liquidity risk disclosures. A summary of responses to each question is presented below.

Question 4 of the ED

Do you agree with the proposal in paragraph 39(a) to require entities to disclose a maturity analysis for derivative financial liabilities based on how the entity manages the liquidity risk associated with such instruments? If not, why? What would you propose instead, and why?

Question 5 of the ED

Do you agree with the proposal in paragraph 39(b) to require entities to disclose a maturity analysis for non-derivative financial liabilities based on remaining expected maturities if the entity manages the liquidity risk associated with such

instruments on the basis of expected maturities? If not, why? What would you propose instead, and why?

Question 4 of the ED - *Disclosure of a maturity analysis for derivative financial liabilities (paragraph 39(a) of the ED)*

6. Most respondents support the proposed amendments to allow disclosure of a maturity analysis based only on how an entity manages liquidity risk for derivative financial liabilities. These respondents believe that such an approach better reflects how an entity manages liquidity risk for such instruments.

7. However, a small number of respondents believe that disclosures based on contractual maturities are useful. These respondents believe that expected maturities are subjective and question how the maturity analysis should be presented when there are multiple outcome scenarios.

8. In addition, several respondents requested clarification as to how the following items should be disclosed:
   a) Derivatives that can be assets or liabilities – for example, swaps that can be in an asset on one day and a liability the next. Respondents were unclear about whether entities are only required to include the derivative in the maturity analysis when it is in a net liability position. These respondents believe that disclosure of the swap only when it is in a net liability position does not reflect the overall liquidity risk of the instrument.
   b) An instrument whose amount payable is not fixed – for example, whether the disclosure requirement is limited to current expected amounts, i.e. based on the current forward curve as of the reporting date, or includes expected amounts which might be known or reasonably estimable. Some respondents proposed retaining the current paragraph B16 that provides guidance for amounts payable that are not

fixed, i.e. the disclosure should be determined by reference to the conditions existing at the reporting date.

c) Derivatives that are subject to master netting agreements – respondents were unclear about whether the net amount should be disclosed.

9. Moreover, some respondents suggested extending the requirements to include disclosure of hybrid financial liabilities (the ED treated them in their entirety as if they were a non-derivative financial liability). It was argued that such instruments are managed in the same way as stand alone derivatives. Other respondents also argued that non-derivative short trading positions should be disclosed on the basis of how they are managed.

Question 5 of the ED - *Disclosure of a maturity analysis for non-derivative financial liabilities (paragraph 39(b) of the ED)*

10. A small number of respondents disagree with requiring separate maturity analyses for derivative and non-derivative financial liabilities. Some respondents believe that there is no basis for treating these instruments differently. For example, some respondents note that for hedging purposes hedging derivatives are often held to the end of the contractual term. These respondents suggest that such derivatives be disclosed under the proposed paragraph 39(b) as this is more consistent with the treatment of the hedged item.

11. Several respondents believe that (consistent with derivatives) the maturity analysis for non-derivative financial liabilities should only be based on how the entity manages liquidity risk.

12. One respondent (a regulator) cited experience with liquidity risk disclosures in its jurisdiction. The respondent noted that some entities ‘opted out’ of disclosing expected maturities arguing that they did not manage liquidity on the basis of expectations but on some ‘other’ basis. The respondent highlighted that where non-derivative liabilities form a significant portion of

the entity's capital structure or funding, liquidity information on expected maturities is critical.

13. Some respondents believe that the requirement to disclose maturity analyses based on both contractual and expected maturities is unduly onerous – and suggested that only one basis be used (although respondents did not agree on that one basis to be used!).

14. Some respondents argued that the requirement to disclose contractual maturities does not always reflect how the entity manages liquidity risk.

15. Others argued that expected maturities are subjective and questioned how disclosures should be made when there are multiple outcome scenarios.

16. Some respondents were also unclear about how to calculate the amounts in the maturity analysis for non-derivative liabilities managed on the basis of expectations - discounted or undiscounted amounts and whether both principal and interest payments should be included.

17. In highlighting these concerns, respondents suggested various approaches:
    a) Require one comprehensive maturity analysis for both derivative and non-derivative financial liabilities. This maturity analysis should be based on the earlier of contractual or expected maturity.
    b) Require a maturity analysis for non-derivative financial liabilities based on either contractual or expected maturities, but not both.
    c) Require a maturity analysis for non-derivative financial liabilities based on contractual maturities but where expected maturities differ significantly, e.g. for demand deposits, disclose the difference.
    d) Clarification of items and amounts included in the maturity analyses.

18. Other issues identified by respondents relating to proposed liquidity risk disclosures include:
    a) Scope of the requirements. Some respondents requested clarification of the scope of liquidity risk disclosure requirements. Specifically, respondents questioned whether 'own use' contracts would be within

the scope of the disclosure requirements. Moreover, some respondents requested clarification of paragraph B11C of the ED[1]. These respondents were unclear about whether the derivative financial liabilities in question were only loan commitments and financial guarantees or whether other instruments were included.

b) Disclosure of a maturity analysis for assets. Many respondents believe that the disclosure of a maturity analysis for financial assets used by the entity to manage liquidity risk should be mandated. These respondents believe disclosure of information on assets provides users with a more comprehensive view on how overall liquidity risk is managed. Some respondents note that as drafted, paragraph B11E states that 'if appropriate' the entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk. Among these respondents some suggest moving this requirement from application guidance into the Standard, while others suggest strengthening the wording to mandate this disclosure.

c) Collateral calls for derivatives and credit related collateral posting requirements – some respondents noted that a key feature of the liquidity risk management of derivative positions are the collateral calls that arise on some derivatives if they get out of the money. Similarly, collateral agreements may require posting of additional collateral triggered by events such as a credit downgrade. These respondents suggested requiring disclosure of the existence and nature of contingent features that could require posting collateral if triggered.

Staff recommendation

19. The staff recommends the following changes to the proposed liquidity risk disclosures:

    a) Require disclosure of separate maturity analyses for derivative and non-derivative financial liabilities based on contractual maturities, but provide relief from disclosing in the maturity analysis contractual maturities for a subset of derivative financial liabilities.

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[1] Paragraph B11C of the ED states that liquidity risk disclosure requirements apply to 'derivative financial liabilities (including financial instruments that would meet the definition of a derivative financial liability if they were recognised)'.

b) Emphasise the existing requirement to provide summary data about each type of risk arising from financial instruments based on information provided internally to key management personnel of the entity, as required in IFRS 7.34(a). This also clarifies that derivative financial liabilities not included in the maturity analysis based on contractual maturities (under the proposed relief in a) above) should be disclosed in a maturity analysis on the basis of the information provided internally to key management personnel.

c) Clarify the following issues:
- the scope of the liquidity risk disclosures regarding derivatives that during their life can change between being financial assets or financial liabilities;
- how amounts are determined when the amount payable is not fixed; and
- how to consider master netting agreements.

d) Retain the proposed treatments of
- hybrid contracts; and
- non-derivative trading liabilities.

e) Clarifying paragraph B11C to the effect that it includes:
- derivative financial liabilities that are recognised in the statement of financial position;
- loan commitments that meet the definition of a derivative irrespective of whether they are recognised in the statement of financial position; and
- issued financial guarantee contracts.

f) Strengthen the wording in paragraph B11E to ensure disclosure of a maturity analysis for financial assets used in managing liquidity risk, if that is important to users of financial statements in understanding the liquidity risk of the entity.

g) Other drafting clarifications.

Staff analysis

20. In developing the staff recommendation, the staff considered the initial objective of the proposed amendments to liquidity risk. The staff notes that

difficulty and diversity in application were the main reasons for the proposed changes. In staff discussions with constituents following the first year of mandatory adoption of the Standard recurring issues raised by constituents about the liquidity risk disclosures included:

a) the inability to make the required quantitative disclosures and questions about what is actually required; and

b) the purpose and usefulness of the required quantitative disclosures.

21. The staff thinks that the diverse views among respondents regarding the distinction between derivative instruments and non-derivative financial liabilities, and the distinction between contractual and expected maturities, indicates that:

    a) some respondents have not fully understood some of the existing disclosure requirements; and

    b) respondents disagree on what information is useful in explaining how an entity manages liquidity risk for different types of financial instruments.

The purpose of minimum disclosures and its implications

22. The purpose of specifying minimum disclosure requirements is to enhance comparability between entities because entities view and manage risk in different ways. As stated in IFRS 7.BC42, minimum risk disclosures 'provide a common benchmark for financial statement users when comparing risk exposures across different entities and are expected to be relatively easy for entities to prepare'.

23. The staff notes that the initial issues raised by constituents were application issues relating to particular derivative financial instruments (that is, the information mandated was not easily available because it was not used in managing liquidity risk or producing accounting information). Constituents did not generally have issues disclosing contractual maturities for non-derivative financial liabilities.

24. Therefore the staff believes that a more effective approach to addressing the core issue is to:

a) require disclosure of separate maturity analyses for derivative and non-derivative financial liabilities based on contractual maturities; but

b) provide relief from disclosing contractual maturities for a subset of derivative financial liabilities – to ensure disclosure requirements are not unduly onerous or difficult to apply, and that the resulting disclosures are meaningful.

25. The staff notes that IFRS 7.B15 states that, if appropriate, an entity should disclose separate maturity analyses for derivative instruments and non-derivative instruments. Therefore, the staff believes that the requirement to separately disclose maturity analyses for derivative and non-derivative financial liabilities is not new.

26. The staff further notes that the proposed requirement to disclose two analyses for non-derivative financial liabilities (both contractual and expected, if applicable) is seen by some as being unduly onerous. Furthermore, IFRS 7 does not prohibit liquidity disclosures for non-derivative financial liabilities based on how that risk is managed – in fact, paragraphs 31 and 34(a) of IFRS 7 require such information (see comments below).

27. The staff therefore recommends that the *minimum* required liquidity disclosures for all non-derivative financial liabilities should be based only using contractual maturities.

28. The following table sets out the staff recommendation for the *minimum* liquidity disclosures:

Derivative financial liabilities	**Non-derivative financial liabilities**
Disclosure within the maturity analysis based on the information provided internally to key management personnel for a *subset* of items whose contractual maturities are not important for the timing of the cash flows because of how those items are managed.	Disclosure within a maturity analysis based on contractual maturities

Disclosure within the maturity analysis based on contractual maturities for all other instruments	

29. Moreover, the staff recommends that any final amendments re-emphasise the existing requirement in IFRS 7.34(a). That paragraph requires an entity to provide summary data about each type of risk arising from financial instruments based on information provided internally to key management personnel of the entity - some respondents appeared unaware of existing requirements to disclose quantitative information that reflects how an entity manages its liquidity risk.

30. The staff acknowledges that as drafted, the proposed paragraphs 39(a) and 39(b) (to disclose expected maturities for non-derivative financial liabilities if the entity manages these instruments on an expected basis) reiterates that existing requirement. To avoid confusion between the IFRS 7 'through the eyes of management' disclosure requirements and the IFRS 7 minimum 'benchmark' disclosures, the staff believes that the *minimum* required disclosures should be minimal. If they are not, IFRS 7 will move away from being a principles-based standard. In order to reinforce this concept the staff recommends reversing the order of subparagraphs (a) and (b) of proposed paragraph 39.

Applying those requirements to some derivative and similar financial instruments

31. However, the staff agrees that requiring disclosures based on contractual maturities for some derivative financial liabilities is unduly onerous and does not result in useful information. In the staff's view relief from providing a maturity analysis on a contractual maturity basis is appropriate for a subset of derivative financial liabilities. The key issue is where to draw the line within the derivative and similar financial liabilities between those that qualify for this relief and those that do not.

32. The staff believes that the subset that qualifies for the relief should encompass those derivative financial liabilities whose contractual maturities are not

important for the timing of the associated cash flows because of how those items are managed. For example, derivatives entered into for trading purposes that are typically settled before their contractual maturity in response to fair value movements.

33. However, the staff believes that relief from providing a maturity analysis on a contractual maturity basis is inappropriate for other derivatives. For example:

    a) an interest rate swap with a remaining maturity of 5 years designated in a cash flow hedge of a variable rate financial asset or liability;
    b) all loan commitments. If there is a past practice of selling loan commitments shortly after origination the staff notes that they are managed on a basis that for the originator does not involve cash outflows for advancing the loan's principal amount. However, the staff is concerned that where an entity fails to sell those loan commitments (e.g. in the environment of a frozen credit market) it could be required to advance the loan even though that was not expectation on the basis the commitment was managed on origination. Hence, the staff believes it would be important that *all* loan commitments are included in the contractual maturity analysis under the minimum requirements.
    c) all financial guarantee contracts.

34. The staff proposes explaining the delineation between the subset of derivative financial liabilities that qualifies for relief from the contractual maturity analysis and those that do not in the application guidance, accompanied by examples used in the previous paragraph.

35. In the staff's view the following issues raised by respondents should be clarified:
    a) The definition of liquidity risk in IFRS 7 as well as the minimum liquidity risk disclosures only refer to financial liabilities. However, the strengthened paragraph B11E would require a maturity analysis for financial assets where that is important (refer to paragraph 38 of this paper). Therefore, the scope of the liquidity risk disclosures would

include derivatives that during their life can change between being financial assets or financial liabilities even if they are assets at the end of the reporting period in that circumstance.

b) Paragraph B16 of IFRS 7 should be retained rather than be deleted as proposed. That paragraph provides useful guidance regarding how amounts are determined when the amount payable is not fixed.

c) Financial instruments are only presented net in the liquidity analyses if they quality for offsetting in accordance with IAS 32 *Financial Instruments: Presentation*. This is consistent with the IFRS 7 requirements regarding disclosure of fair values and credit risk. Therefore, master netting agreements only result in a net presentation if they qualify for offsetting in accordance in with IAS 32. Those that do not might still require disclosure as one of the 'other factors' described in paragraph B11E.

36. The staff proposes retaining the proposed treatments of the following instruments:

a) Hybrid contracts: notwithstanding that an entity may manage separated embedded derivatives in the same way as stand alone derivatives the cash flows of an embedded derivative are inseparable from those of the host contract. Therefore, the staff recommends retaining proposed paragraph B11A (that prohibits separation of embedded derivatives for the purpose of maturity analyses).

b) For non-derivative trading liabilities the staff recommends retaining the minimum requirement of a contractual maturity analysis. Where these instruments are managed on a different basis than contractual maturities the staff notes that IFRS 7.34(a) would require disclosure reflecting that basis. However, the staff does not believe that the difficulties encountered in relation to providing the disclosures for some derivatives are the same for non-derivative liabilities. Therefore, the staff does not recommend relief from the minimum contractual maturity analysis for non-derivative financial liabilities.

37. The staff notes that the wording of proposed paragraph B11C was confusing to some respondents. Therefore, the staff recommends clarifying that paragraph to the following effect:

    a) that the maturity analyses include all derivative financial liabilities that are recognised in the statement of financial position.

    b) that the maturity analyses include all loan commitments that would meet the definition of a derivative irrespective of whether they are recognised in the statement of financial position (and the measurement basis that applies) or whether they are scoped out of IAS 39. The staff notes that IAS 39.BC15 states that a commitment to make a loan at a specified rate of interest during a fixed period of time meets the definition of a derivative. The ED was unclear as to whether there were further such derivatives but loan commitments are the only instruments the staff is aware of.

    c) that the maturity analyses include financial guarantee contracts where the entity is the issuer. The ED was unclear because the reference to derivatives appeared to also encompass financial guarantee contracts. However, the staff notes that financial guarantee contracts as defined in IAS 39.9 are not derivatives. Conversely, financial guarantees that do not meet the definition of a financial guarantee contract would be derivatives. The staff recommends reflecting this in a revised wording that refers to derivative financial liabilities *and* financial guarantee contracts.

Financial assets used to manage liquidity risk

38. The staff also agrees that disclosure of financial assets used in managing liquidity risk is useful. Hence, the staff recommends strengthening the wording in paragraph B11E to ensure that entities that use financial assets in managing liquidity risk also disclose a maturity analysis of these financial assets.

Questions to the Board

39. Does the Board agree to :

a) require disclosure of separate maturity analyses for derivative and non-derivative financial liabilities based on contractual maturities, but provide relief from disclosing in the maturity analysis contractual maturities for a subset of derivative financial liabilities? If so, does the Board agree with the delineation of that subset as recommended in paragraphs 32 and 33 of this paper? If not, what delineation does the Board prefer, and why?

b) emphasise the existing requirement to provide summary data about each type of risk arising from financial instruments based on information provided internally to key management personnel of the entity, as required in IFRS 7.34(a) and clarify that derivative financial liabilities not included in the maturity analysis based on contractual maturities must be disclosed in a maturity analysis on the basis of the information provided internally to key management personnel?

c) clarify the following issues (as discussed in paragraphs 35 to 37 of this paper):
   (i) the scope of the liquidity risk disclosures regarding derivatives that during their life can change between being financial assets or financial liabilities;
   (ii) how amounts are determined when the amount payable is not fixed; and
   (iii) how to consider master netting agreements.

d) retain the proposed treatments of
   (i) hybrid contracts; and
   (ii) non-derivative trading liabilities.

e) clarify paragraph B11C to the effect that it includes:
   (i) derivative financial liabilities that are recognised in the statement of financial position;
   (ii) loan commitments that meet the definition of a derivative irrespective of whether they are recognised in the statement of financial position; and
   (iii) issued financial guarantee contracts.

f) strengthen the wording in B11E to ensure entities disclose a maturity analysis for financial assets when they are used to manage liquidity risk?

Question 6 of the ED

Do you agree with the amended definition of liquidity risk in Appendix A? If not, how would you define liquidity risk, and why?

40. Most respondents agreed with the proposed definition of liquidity risk in Appendix A of the ED. However, a small number of respondents suggested extending the definition of liquidity risk to address:
    a) liabilities that might have different settlement options;
    b) some notion of the entity's inability to fund, i.e. an entity's inability to fund assets to settle the outstanding liabilities at a reasonable cost.

41. Some respondents believe that the proposed definition of liquidity risk is too narrow. These respondents believe that a contract should not be excluded from liquidity risk disclosures solely because the entity has an 'option' to use a variable amount of its own shares or a non-financial asset that is readily convertible to cash as currency to settle the obligation.

42. Moreover, some respondents were unclear about whether convertible notes that may be settled in cash or shares at the holder's discretion are to be disclosed. These respondents were concerned that entities might try to circumvent the liquidity disclosure requirements by asserting that the liability will be settled via issuance of equity.

43. Several respondents were concerned about the exclusion of liabilities that require gross delivery of a non-financial asset that is readily convertible to cash (under contracts that do not qualify as 'own use' so that they are in the scope of IAS 39 and IFRS 7), e.g. some commodity contracts that require physical delivery. One example cited was a forward to purchase gold that requires payment of cash to the counterparty and an equivalent forward sale that requires delivery of gold in exchange for cash. Respondents questioned whether the former would be included and the latter would be excluded if both

were financial liabilities. These respondents believe that barter transactions also create liquidity risk and question whether treating these contracts differently is useful.

44. Moreover, some respondents argued that there is risk involved in the settlement of a financial liability via issuance of own shares. This is because if an entity did not have enough authorised or unissued shares, the entity would be required to obtain these shares from the market. These respondents believe that this is an execution risk and suggested additional disclosure of these situations. Some respondents also questioned whether financial liabilities that are settled with an entity's own shares (for which the amount is not known at inception and fluctuates over the contract term) are meant to be excluded from liquidity risk disclosures.

45. Some respondents believe that the definition of liquidity risk should be extended to include not only an entity's inability to meet its obligations but also an entity's inability to meet its obligation at a reasonable cost. These respondents believe that the notion of funding should be incorporated into the definition.

Staff recommendation

46. The staff recommends retaining the proposed definition of liquidity risk.

Staff analysis

47. The staff notes that the current IFRS 7 definition of liquidity risk is that an entity will encounter difficulty in meeting obligations associated with financial liabilities. At the September meeting, the Board decided to propose amending the definition of liquidity risk to exclude:
    a) embedded derivatives separately accounted for (other than those for which the hybrid contract is a financial liability–in that case the entire liability should be included in the disclosure); and
    b) financial liabilities that are settled by delivering an entity's own shares.

48. The reason for the proposed changes in a) above was that the embedded derivative does not have a contractual cash flow itself. In relation to b) above, although an entity might encounter difficulties in issuing its own shares (e.g. difficulties in obtaining shareholder approval or other regulatory restrictions), the Board decided that this risk is different from liquidity risk as defined in the proposed amendments.

49. The proposed new definition of liquidity risk excludes financial liabilities that are not settled by either delivering cash or another *financial* asset. The staff believes that extending this definition of liquidity risk to include liabilities settled by non-financial assets readily convertible to cash (whether they are financial or non-financial liabilities) should not be addressed at this time. This is because the staff believes that this issue is outside the scope of the proposed amendments to IFRS 7 given that:
    a) non-financial obligations are outside the scope of IFRS 7 (refer to paragraph 5 of that standard) unless they fail to qualify as 'own use' (in which case they are in the scope of both IAS 39 and IFRS 7) and the proposed amendments do not involve a review of the scope of IFRS 7;
    b) 'readily convertible to cash' is used as a criterion for the purpose of determining which contracts to buy or sell non-financial items are accounted for in accordance with IAS 39. It warrants further analysis whether that criterion would also be appropriate for the purpose of determining what contracts should be included in a liquidity risk analysis;
    c) including liabilities settled by non-financial assets readily convertible to cash would warrant a more comprehensive assessment of what other non-financial items should be included in the liquidity analysis in order to avoid an arbitrary delineation within non-financial items. In contrast, the proposed amendment to the definition of liquidity risk is intended to focus on a narrower understanding of liquidity risk as relating to delivering financial assets, which avoids drawing a line between different non-financial assets.

50. The staff continues to believe that financial liabilities that are settled via issuance of own shares do not pose a liquidity risk. For instruments that have different settlement options, the staff agrees that information about their potential impact on liquidity risk is useful. However, the staff believes that such instruments are an example of 'other factors' for which disclosures are required under the proposed paragraph B11E. In the staff's view adding examples like this to the list of examples in proposed paragraph B11E would enhance that requirement.

51. The staff believes it is inappropriate to insert the notion of 'ability to fund at a reasonable price' within the definition. The staff thinks that 'reasonable' is subject to diverse interpretation and will result in inconsistent application. Moreover, the staff thinks that the proposed B11E which requires disclosure on how an entity manages liquidity risk addresses the notion of funding. The staff believes that disclosures required in B11E provide users with adequate information on an entity's ability to fund. In the staff's view, changing the definition of liquidity risk is more likely to confuse users and raise interpretation issues than to ensure more useful disclosures.

Question to the Board

52. Does the Board agree to retain the proposed definition of liquidity risk? If not, why? What does the Board propose instead, and why?

Appendix A – EXTRACT FROM ED

Liquidity risk

39 An entity shall disclose:

(a) a maturity analysis for derivative financial liabilities that is based on how the entity manages the liquidity risk associated with such instruments.

~~(a)~~(b) a maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities~~;~~ for such financial liabilities. If the entity manages liquidity on the basis of expected maturities, it also shall disclose the remaining expected maturities for those financial liabilities.

~~(b)~~(c) a description of how it manages the liquidity risk inherent in (a) and (b).

…

Appendix A
Defined terms

liquidity risk The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

…