
Project	Fair value option for financial liabilities
Topic	Content of IFRS 9—measurement of financial liabilities

Purpose of this paper

1. The purpose of this paper is to update the Board on an administrative matter related to the proposals in the exposure draft *Fair Value Option for Financial Liabilities* (ED).
2. **This paper is for informational purposes only.** It will not be discussed at a Board meeting. We are telling you about this matter because we want to start working on it and most likely will ask external parties for help. This is discussed further below.
3. We plan to start redeliberations on the proposals in the ED in September.

Background

4. Earlier this year, the Board tentatively decided to retain almost all of the requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for the classification and measurement of financial liabilities. As a result of that decision, the issue of *own credit risk* (ie whether changes in liabilities' credit risk should affect profit or loss) remained only in the context of financial liabilities designated under the fair value option. Thus the proposals in the ED addressed only those liabilities.
5. Paragraphs BC5-BC14 in the basis for conclusions on the ED provides additional background information on the Board's tentative decision to retain

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

IASB Staff paper

most of the existing requirements for classifying and measuring financial liabilities.

Moving forward—an administrative matter

6. For the convenience of the reader, the ED was presented as a self-contained issue. However, as stated in paragraph 12 of the ED, the Board intended that any finalized requirements resulting from the proposals would be included in IFRS 9 in the chapter on classification and measurement of financial liabilities. The Board also noted in paragraph 12 of the ED that any guidance in IAS 39 and IFRS 7 *Financial Instruments: Disclosure* that is still relevant to the finalized requirements would be moved to IFRS 9.
7. That plan is consistent with the Board's overall objective to replace IAS 39 in its entirety. As the Board completes each phase of its project on financial instruments, it intends to delete the relevant portions of IAS 39 and create chapters in IFRS 9 that will replace the requirements in IAS 39.
8. Therefore any finalized requirements resulting from the proposals in the ED will be added to IFRS 9. At the same time, the requirements in IAS 39 for the classification and measurement of financial liabilities that the Board decides to retain also will be added (unchanged) to IFRS 9. The relevant portions of IAS 39 will be deleted. That will represent the final instalment in Phase 1 (classification and measurement) of the Board's project to replace IAS 39.
9. At that point, IFRS 9 will contain all of the requirements related to the classification and measurement of financial assets and financial liabilities.
10. IAS 39 will contain only the requirements related to Phase 2 (impairment) and Phase 3 (hedge accounting) of the Board's project to replace IAS 39. [This takes into account the Board's decision on 19 July to move the derecognition requirements (unchanged) from IAS 39 to IFRS 9.]

IASB Staff paper

Our plan

11. Over the next month we plan to start the editorial task of moving the requirements related to subsequent measurement of liabilities, which the Board tentatively decided to retain, from IAS 39 to IFRS 9. This will entail inserting some new chapters and subsections into IFRS 9.
12. **These amendments to IFRS 9 will not be finalized until the Board finishes its redeliberations on the proposals in the ED—and amends IFRS 9 to include those requirements.** We are starting the process now because we expect it to be time-consuming and we do not want it to delay the issuance of any finalized requirements resulting from the proposals of the ED.
13. Moreover, as we noted above, we anticipate asking external parties for help to ensure that we “got it right” (ie that we have not inadvertently changed the requirements by changing their location).
14. **This process will not pre-empt any decisions that the Board will make during re-deliberations. We are simply seeking to make the editorial process as efficient as possible. Of course, IFRS 9 ultimately will reflect the decisions that the Board makes during its re-deliberations.**