



Project	Agenda Decisions
Topic	IFRS 2 – Share-based payment transactions in which the manner of settlement is contingent on future events

Background

1. In July 2009 the IFRIC published a tentative agenda decision not to add an item to its agenda to clarify the classification and measurement of share-based payment transactions in which the manner of settlement (equity instruments or cash) is contingent on future events.

Summary of comments from respondents

2. Two comment letters were received.
3. The first comment letter supported the tentative agenda decision and its reasons. However, it made one editorial suggestion, which has been incorporated into the proposed wording.
4. The other comment letter disagreed with the tentative agenda decision for the reasons below:
 - (a) The IFRIC should use its mandate enlarged by the IASB and propose guidance on treatment of share-based payment transactions in which manner of settlement is contingent on future events as part of the annual improvements process.
 - (b) The issue is sufficiently narrow in scope to be addressed within the remits of the annual improvements process rather than as part of a post-implementation review of IFRS 2.

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRIC.

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 IFRIC or 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 IFRIC or the IASB can make such a determination.

Decisions made by the IFRIC are reported in *IFRIC Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in *IASB Update*.

Staff analysis

5. Reflecting on the IFRIC discussion at the November meeting, the staff considers amendments to IFRS 2 to resolve this issue would **not** be minor. Therefore, outside the remit of the annual improvement process. In the staff's view, the amendments are not minor because:
- (a) IFRS 2 does not contain the guidance on share-based payment transaction for which the manner of settlement is contingent on a future event that is outside the control of both the entity and the counterparty.
 - (b) Developing the guidance would need to give consideration to the other guidance in IFRSs on recognition of liabilities, namely IAS 32 and IAS 37.
 - (c) The development of such guidance may require reconsideration of the appropriate measurement date for the expense (ie either on grant date or exercise date).
6. The staff is also concerned that, based on the diversity of views expressed at the last IFRIC meeting, that it would be unlikely that agreement could be reached on an amendment to the IFRS on a timely basis.

Recommendation and question for the IFRIC

The staff recommends that the IFRIC finalise the agenda decision as published with some edits. Wording is included in the Appendix A.

Does the IFRIC agree?

Appendix A – proposed wording for agenda decision

A1. The staff proposes the following wording for the final agenda decision (*new text is underlined and deleted text is struck through*):

The IFRIC received a request to clarify the classification and measurement of share-based payment transactions for which the manner of settlement is contingent on either:

- a future event that is outside the control of both the entity ~~or~~ and the counterparty; or
- a future event that is within the control of the counterparty.

The IFRIC noted that paragraphs 34-43 of IFRS 2 provide guidance only on share-based payment transactions in which the terms of the arrangement provide the counterparty or the entity with a choice of settlement.

The IFRIC noted that IFRS 2 does not provide guidance on share-based payment transactions for which the manner of settlement is contingent on a future event that is outside the control of ~~either~~ both the entity ~~or~~ and the counterparty. The IFRIC noted that many other issues have been raised concerning the classification and measurement of share based payments as cash settled or equity settled. The IFRIC therefore noted that it would be more appropriate for these issues to be considered collectively as part of a post implementation review of IFRS 2.

Therefore, the IFRIC ~~decided~~ not to add these issues to its agenda and recommended that those issues be dealt with by the IASB in a post-implementation review of IFRS 2.