



Project	<b>Agenda decision</b>
Topic	<b>IAS 32 <i>Financial Instruments: Presentation</i> – ‘Fixed for fixed’ condition</b>

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## Introduction

1. In November 2009, the IFRIC published a tentative agenda decision not to add to its agenda a request for guidance on the application of the ‘fixed for fixed’ condition in paragraph 22 of IAS 32 *Financial Instruments: Presentation*.
2. The IFRIC concluded that the agenda criteria were not met, because the Board’s current *Financial Instruments with Characteristics of Equity* (FICE) project is expected to address issues relating to the fixed-for-fixed condition on a timely basis.
3. One comment letter<sup>1</sup> was received. This comment letter stated agreement with the tentative agenda decision made by the IFRIC. However, in contrast to the agenda submission, the respondent does not believe that significant diversity in practice in applying the fixed-for-fixed condition exists. As a result, it proposes that the second paragraph of the agenda decision is deleted.
4. The staff understand that diversity may exist in practice in applying the fixed-for-fixed condition. This reflects feedback received from constituents by the FICE project team. As a result, the staff does not recommend deleting the second paragraph of the agenda decision.

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<sup>1</sup> Deloitte Touche Tohmatsu

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 recommendation and proposed wording of the final agenda decision**

Question 1 - the staff recommends that the IFRIC finalise its tentative agenda decision not to add the issue to its agenda. Does the IFRIC agree with the recommendation?

Question 2 – Appendix A includes the staff's proposed wording for the final agenda decision which is unchanged from the published tentative agenda decision. Does the IFRIC agree with proposed wording?

## Appendix A – Proposed wording for agenda decision

### **IAS 32 *Financial Instruments: Presentation* - Application of the 'fixed-for-fixed'**

The IFRIC received requests for guidance on the application of paragraph 22 of IAS 32 which states that 'except as stated in paragraph 22A, a contract that will be settled by the entity (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument' (often referred to as the 'fixed-for-fixed' condition).

The IFRIC identified that diversity may exist in practice in the application of the fixed-for-fixed condition to other situations in addition to the specific situations identified in the requests.

The IFRIC noted that the Board is currently undertaking a project to improve and simplify the financial reporting requirements for financial instruments with characteristics of equity. A key objective of this project is to develop a better distinction between equity and non-equity instruments. This includes consideration of the current fixed-for-fixed condition in IAS 32.

Consequently, the IFRIC concluded that the Board's current *Financial Instruments with Characteristics of Equity* project is expected to address issues relating to the fixed-for-fixed condition on a timely basis. Therefore, the IFRIC [decided] not to add this issue to its agenda.