
Project	Fair value option for financial liabilities
Topic	Cover paper

1. At the July meeting the Board discussed a paper containing a summary analysis of comment letters received on the proposals in the exposure draft *Fair Value Option for Financial Liabilities* (ED). The paper also summarized the feedback received as a result of our outreach activities, most notably with users of financial statements.
2. At this meeting, the Board will begin the re-deliberations of the proposals in the ED.
3. There are two papers for discussion:
 - **Agenda paper 5A:** Whether the effects of changes in a liability's credit risk should affect profit or loss (P&L) [Questions 1, 2, 3 and 6 in the ED]; and
 - **Agenda paper 5B:** How to determine the effects of changes in a liability's credit risk. [Question 8 in ED]
4. **These two papers address the threshold issues in this project and will form the foundation for future papers.**
5. The following issues will be discussed at **subsequent** meetings:
 - (a) If the effects of changes in credit risk are excluded from P&L, should that amount be presented in the performance statement via a **one-step or two-step approach**? [Questions 4 and 5 in the ED]
 - (b) If the effects of changes in credit risk are excluded from P&L, should those amounts ever be **recycled** into P&L? [Question 7 in the ED]

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

- (c) Effective date and transition [Questions 9 and 10 in the ED]
- (d) Sweep issues, if any.