

## STAFF PAPER

June 2019

## IASB® meeting

Project	Financial Instruments with Characteristics of Equity (FICE)		
Paper topic	Summary of feedback—Cover paper		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in the IASB® *Update*.

**Background**

1. The International Accounting Standard Board (Board) published the Discussion Paper *Financial Instruments with Characteristics of Equity* (DP) in June 2018 with a 180-day comment period.
2. Since the publication of the DP, Board members and the staff have undertaken outreach to engage with stakeholders of various types and in various geographic locations. These activities included the following:
  - (a) Approximately 20 meetings with investors and analysts which covered a wide variety of investors based in various geographical locations<sup>1</sup> from those specialising in banking to others covering markets more generally including a mix of equity and credit-oriented investment professionals.
  - (b) Over 40 events or meetings with stakeholders including preparers, auditors, regulators, national standard-setters, academics, accountancy

<sup>1</sup> However, the market coverage of these investors could be wider than their geographic location.

bodies. Many of them were organised in collaboration with national standard setters.

(c) Educational webcasts that attracted many participants.

3. The Board received 128 comment letters including 6 comment letters from investors.

### **Purpose of the June 2019 meeting**

4. At the March 2019 board meeting, the staff presented key themes emerging from feedback received on the DP through comment letters and outreach. In this meeting, the Staff will provide a detailed summary of the feedback received on the following sections of the DP:

(a) Section 2—The Board's preferred approach

(b) Section 3—Classification of non-derivative financial instruments

(c) Section 4—Classification of derivative financial instruments

(d) Section 5—Compound instruments and redemption obligation arrangements

5. The Staff welcome any questions or comments Board members may have on the Agenda papers but are not asking the Board to make any decision at this meeting.

### **Agenda papers for this meeting**

6. The following agenda papers contain our summary of detailed comment letter feedback as well as feedback gathered through outreach:

(a) Agenda Paper 5A—*The Board's preferred approach*. This paper summarises feedback on the Board's preferred approach to classification.

(b) Agenda Paper 5B—*Classification of non-derivative financial instruments*. This paper summarises feedback received about the effects of the Board's preferred approach on particular types of non-derivative financial instruments.

- (c) Agenda Paper 5C—*Classification of derivative financial instruments*. This paper summarises feedback on the Board’s preferred approach to classification of derivative financial instruments.
- (d) Agenda Paper 5D—*Compound instruments and redemption obligation arrangements*. This paper summarises feedback on the Board’s preferred approach to classification of compound instruments and redemption obligation arrangements.
- (e) Agenda Paper 5E—*Puttable exception and IFRIC 2 instruments*. This paper summarises feedback on the DP proposal to retain the puttable exception and to carry forward the conclusions in *IFRIC 2 Members’ Shares in Co-operative Entities and Similar Instruments*.

7. Agenda papers 5A to 5E use the following terms to describe the extent to which particular feedback was shared by respondents:

<i>Term</i>	<i>Extent of response among respondents</i>
Almost all	all except a very small minority
Most	a large majority, with more than a few exceptions
Many	a small majority or large minority
Some	a small minority, but more than a few
A few	a very small minority

- 10. In determining which term to use in a particular case, the staff considered not just the number of responses in question, but also more subjective factors, such as whether a response reports the views of a single individual or the views of a broader group.
- 11. Respondents did not always comment on every area of the Discussion Paper. The Staff have indicated in the papers if only a small number of respondents commented on a particular topic.

12. When preparing the summaries, the Staff have considered whether we received different messages from individual stakeholder groups or from specific geographic locations. We have indicated so if there was a notable pattern.
13. When preparing the summaries, the Staff have also considered the nature of the comments and whether they are qualitatively significant to mention despite the number of respondents that may share that view.
14. When particular feedback was shared or contradicted by users of financial statements, the Staff have indicated so.

### **Next steps**

15. At future Board meetings, the staff will present to the Board the summary of feedback on the remaining sections of the DP, which are as follows:
  - (a) Section 6—Presentation
  - (b) Section 7—Disclosure
  - (c) Section 8—Contractual terms
  - (d) Section 1—Objective, scope and challenges
16. The feedback summary on Section 1 will include feedback received from stakeholders on suggested next steps for the Board.