

STAFF PAPER

September 2021

IASB® meeting

Project	Financial Instruments with Characteristics of Equity (FICE)		
Paper topic	Cover paper		
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Purpose of this meeting

1. At this month's meeting, the staff will present the following Agenda Papers:
 - (a) Agenda Paper 5A *Contingent settlement provisions and related issues—introduction*;
 - (b) Agenda Paper 5B *Contingent settlement provisions and related issues—practice issues and potential solutions (part 1)*;
 - (c) Agenda Paper 5C *Contingent settlement provisions and related issues—practice issues and potential solutions (part 2)*;
 - (d) Agenda Paper 5D *Contingent settlement provisions and related issues—practice issues and potential solutions (part 3)*;
 - (e) Agenda Paper 5E *The effects of laws on contractual terms—practice issues*; and
 - (f) Agenda Paper 5F *The effects of laws on contractual terms—potential solutions*.

2. At the October 2019 Board meeting (Agenda Paper 5), the Board discussed the project plan for the *Financial Instruments with Characteristics of Equity* (FICE) project, including the practice issues that it could address as part of the project.
3. The objective of these papers is to begin the Board's discussions on two of these practice issues:
 - (a) accounting for financial instruments that contain contingent settlement provisions.¹ In particular, the papers focus on practice issues arising from applying paragraph 25 of IAS 32.
 - (b) the effects of laws on contractual terms. In particular, the papers discuss whether and if so, to what extent, an entity should be required to treat a legal requirement or a term that is required by law as part of the contractual terms.
4. In these papers, the staff explore what clarifications could be made to the underlying principles in IAS 32 *Financial Instruments: Presentation*, without asking the Board to make any decisions. At this meeting, the staff seek the Board's view on the direction of the staff's future work. Based on the Board's feedback provided at this meeting, the staff will develop proposals for the clarified principles and bring back further analyses at a future Board meeting.

¹ Consistent with the description in paragraph 25 of IAS 32, a contingent settlement provision refers to a contractual term in a financial instrument that requires the issuer to deliver cash or another financial asset or to settle it in such a way that it would be a financial liability in the event of the occurrence or non-occurrence of uncertain future events (or on the outcome of uncertain circumstances) that are beyond the control of both the issuer and the holder of the instrument.