
IASB[®] meeting

Date	November 2022
Project	Post-implementation Review of IFRS 9—Classification and Measurement
Topic	Responding to the feedback and next step
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Introduction

1. In October 2020, the IASB began the first phase of the Post-implementation Review (PIR) of IFRS 9 *Financial Instruments—Classification and Measurement*, which resulted in the publication of the [Request for Information Post-implementation Review of IFRS 9—Classification and Measurement](#) (the RFI) in September 2021.
2. During the comment period on the RFI, the IASB and staff continued consulting with a wide range of stakeholders, including preparers and users of financial statements, auditors, regulators and national standard-setting bodies.
3. In March 2022, the IASB started the second phase of the PIR when it received a summary of feedback on the RFI. From April 2022, the IASB began its deliberations by considering responses to the RFI, along with information gathered through other consultative and research activities, to determine whether further action is needed on any of the matters identified.

Purpose of this paper

4. The purpose of this paper is to provide a summary of the IASB's response to feedback received during the second phase of the PIR.
5. At this meeting, the IASB will be asked to decide whether to conclude the Post-implementation Review of IFRS 9—*Classification and Measurement*.
6. This paper is structured as follows:
 - (a) [reminder of the due process requirements](#);
 - (b) [reminder of the requirements for assessing feedback raised in a PIR](#);
 - (c) [staff analysis of the work undertaken](#);

- (d) [next step](#); and
- (e) [summary of staff recommendation and question for the IASB](#).

Reminder of the due process requirements

7. Paragraphs 6.56 to 6.59 of the [IFRS Foundation Due Process Handbook](#) (Due Process Handbook) set out the due process requirements following publication of a request for information. In particular, paragraph 6.56 of the Due Process Handbook states that the IASB:
- ...considers whether it is necessary to supplement the responses to the request for information with other information or evidence, such as by undertaking:
- (a) an analysis of financial statements or of other financial information;
 - (b) a review of academic and other research related to the implementation of the IFRS Standard being reviewed; and
 - (c) surveys, interviews and other consultations.
8. Paragraph 6.58 of the Due Process Handbook states that the IASB:
- ...considers the comments that it has received from the request for information along with the evidence and information that it has obtained from any additional analysis. When the Board has completed its deliberations, it presents its findings in a public report.

Reminder of the requirements for assessing feedback raised in a PIR¹

9. The IASB considers whether to take any action on matters identified in PIRs if there is evidence that:
- (a) there are fundamental questions (ie 'fatal flaws') about the clarity and suitability of the core objectives or principles in the new requirements;
 - (b) the benefits to users of financial statements of the information arising from applying the new requirements are significantly lower than expected (for example, there is significant diversity in application); or
 - (c) the costs of applying some or all of the new requirements and auditing and enforcing their application are significantly greater than expected (or there is a significant market development since the new requirements were issued for which it is costly to apply the new requirements consistently).

¹ For further detail refer to September 2022 IASB meeting, [AP8A: Post-implementation reviews—Objectives and process](#)
Post-implementation Review of IFRS 9—Classification and Measurement—Responding to the feedback and next step

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10. The prioritisation of matters as high, medium or low would depend on the extent to which evidence gathered during the PIR indicates:
- (a) the matter has substantial consequences;
 - (b) the matter is pervasive;
 - (c) the matter arises from a financial reporting issue that can be addressed by the IASB or the Interpretations Committee; and
 - (d) the benefits of any action would be expected to outweigh the costs. To determine this, the IASB would consider the extent of disruption and operational costs from change and the importance of the matter to users of financial statements.

Staff analysis of the work undertaken

11. Following the publication of the RFI, the IASB members and the staff have:
- (a) undertaken outreach activities with a wide range of stakeholders and other consultative bodies (paragraph 6.56(c) of the Due Process Handbook);
 - (b) performed an [academic literature review](#) (paragraph 6.56(b) of the Due Process Handbook); and
 - (c) [summarised feedback on the RFI](#) from 95² comment letters (paragraph 6.58 of the Due Process Handbook).

Questions in the RFI that did not require decisions by the IASB

Classification and measurement

12. Question 1 in the RFI aimed to help the IASB understand respondents' overall views about, and experiences with, applying the IFRS 9 classification and measurement requirements.
13. As reported in paragraphs 2–6 of [Agenda paper 3](#) of the IASB's March 2022 meeting, overall, the PIR feedback is positive. Almost all respondents said that the requirements generally work well in practice and result in measurement of financial instruments that provides useful information to users of financial statements about the amount, timing and uncertainty of an entity's future cash flows.
14. The PIR feedback also largely provided the same views and issues as the feedback the IASB has received previously through extensive dialogue with stakeholders both before and

² Included in this total is one comment letter which was received after the comment period deadline.

after IFRS 9 was issued. However, in many cases the PIR feedback provided further details on the application of the requirements, such as real-life examples and common practices. Feedback on specific areas of the classification and measurement requirements was considered in the responses to questions 2 to 9 of the RFI.

15. There were no application questions that required decisions by the IASB in relation to this question of the RFI.

Transition

16. Question 8 in the RFI aimed to help the IASB understand whether the transition requirements worked as intended and the transition disclosures achieved an appropriate balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements.
17. As reported in paragraphs 51–52 of [Agenda paper 3](#) of the IASB’s March 2022 meeting, respondents did not provide a significant amount of feedback on this topic. Most respondents that provided feedback said the transition requirements generally worked well and the reliefs provided achieved an appropriate balance between reducing costs for preparers and providing useful information to users of financial statements. Some respondents noted that the relief from restating comparative information was helpful and assisted in reducing costs for preparers. A few respondents said that despite the reliefs provided, some entities incurred significant costs in applying IFRS 9 for the first time. Respondents did not provide any suggestions on how costs could have been reduced further.
18. The IASB was not asked to make any decisions in relation to this topic since almost all respondents acknowledged that the requirements and reliefs provided on transition to IFRS 9 achieved a good balance between costs for preparers and benefits for users.

Questions in the RFI that required decisions by the IASB

19. At its meetings between April 2022 and October 2022 the IASB considered whether to take any action on matters identified in the PIR. The table below summarises the IASB’s response to feedback received on the questions asked in the RFI:

Topic	Agenda Paper	IASB decision
1. Classification and measurement	Paragraphs 12–15 of this agenda paper	The IASB was not asked to make any decisions in relation to this question.

Topic	Agenda Paper	IASB decision
2. Business model for managing financial assets	AP3B: Business model assessment—October 2022	No further action needed.
3. Contractual cash flow characteristics		
a. ESG-linked features and contractually linked instruments	AP3: Contractual cash flow characteristics—Prioritising PIR findings—May 2022	The IASB decided to start a standard-setting project to clarify particular aspects of the requirements for assessing the contractual cash flow characteristics of a financial asset.
b. Other application questions	AP3A: Contractual cash flow characteristics—April 2022 ; and AP3: Other matters raised in PIR feedback—September 2022 .	Following consultation with ASAF members on the application questions, the IASB decided either to consider the matter as part of other standard-setting projects or take no further action.
4. Equity instruments and Other Comprehensive Income (OCI)	AP3A: Equity instruments and other comprehensive income (amended)—June 2022 ; and AP3A: Equity instruments and other comprehensive income—October 2022	The IASB decided not to make any changes to the requirements in IFRS 9 because it did not identify any evidence that there are fundamental questions about the suitability or clarity of the requirements or that the benefits to users of financial statements are significantly lower than expected. However, to improve the transparency of amounts presented in OCI, the IASB tentatively decided to propose amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> .

Topic	Agenda Paper	IASB decision
5. Financial liabilities and own credit	AP3A: Financial liabilities and own credit—November 2022	Subject to IASB decision on Agenda Paper 3A of this meeting.
6. Modifications to contractual cash flows	AP3C: Modification of financial assets and liabilities and amortised cost measurement and the effective interest method—prioritising PIR findings—July 2022	The IASB decided to add a project on amortised cost measurement and modifications to its research pipeline.
7. Amortised cost and the effective interest method		
8. Transition	Paragraphs 16–18 of this agenda paper	The IASB was not asked to make any decisions in relation to this question.
9. Other matters		
a. Cash received via electronic transfer as settlement for a financial asset	AP3C: Exploring possible narrow-scope amendments for electronic cash transfers—October 2022	The IASB tentatively decided to develop an accounting policy choice to allow an entity to derecognise a financial liability before it delivers cash on the settlement date when specified criteria are met. ³
b. Other application questions	AP3: Other matters raised in PIR feedback—September 2022	For other application questions following consultation with ASAF members, the IASB decided to either consider the matter as part of other projects or take no further action.

³ The IASB will consider this matter further in AP16B of the November 2022 IASB meeting.

Next step

20. The staff will prepare a Report and Feedback Statement (the Report) on the PIR which will be reviewed by the IASB. The Due Process Oversight Committee (DPOC) will also be provided with a draft of the Report. Once the DPOC is satisfied that the IASB has completed the review satisfactorily, the Report will be published.

Summary of staff recommendation and question for the IASB

21. Subject to the IASB's decision on the staff recommendation in Agenda paper 3A of this meeting, the staff think sufficient work has been completed to conclude the PIR in accordance with paragraphs 6.56 to 6.59 of the Due Process Handbook.

Question for IASB

Does the IASB agree that sufficient work has been completed to conclude the PIR and for the staff to prepare the Report and Feedback Statement on the Post-implementation Review?