IFRS Accounting

Staff paper

Agenda reference: 5D

IASB® meeting

Date	**December 2025**
Project	**Financial Instruments with Characteristics of Equity (FICE)**
Topic	**Fixed-for-fixed condition: Share-for-share exchanges, settlement alternatives and other matters—feedback and analysis**
Contacts	Eun Young Park (epark@ifrs.org) Angie Ah Kun (aahkun@ifrs.org) Riana Wiesner (rwiesner@ifrs.org)

Introduction

1. In this paper, the staff summarises and analyses the feedback received from comment letters and outreach on the Exposure Draft *Financial Instruments with Characteristics of Equity* (the ED) issued in November 2023, related to the classification of financial instruments that will or may be settled in the issuer's own equity instruments, particularly how to consider share-for-share exchanges, settlement alternatives and other matters when applying the 'fixed-for-fixed condition'. The staff also considers whether further clarifications or changes to the proposed requirements would be necessary in response to the feedback.

2. This paper is structured as follows:

   (a) summary of staff's preliminary views;

   (b) question for the IASB;

   (c) share-for-share exchanges ;

   (d) settlement alternatives; and

   (e) other matters.

Summary of staff's preliminary views

3. Considering the feedback on the ED, the staff thinks the IASB could finalise the proposed requirements related to share-for-share exchanges, settlement alternatives and other matters when applying the 'fixed-for-fixed condition', subject to potential refinements and any minor drafting improvements. The potential refinements include clarifying:

   (a) that preservation and passage-of-time adjustments would also apply to share-for-share exchanges (see paragraphs 7–8 of this paper);

   (b) whether a fixed exchange ratio that passes the fixed-for-fixed condition must be derived from a fixed amount of consideration for a fixed number of shares (see paragraphs 23–29 of this paper); and

   (c) that the requirements for preservation and passage-of-time adjustments would also apply when assessing non-derivatives for classification as equity or financial liabilities (see paragraph 44 of this paper).

Question for the IASB

Question for the IASB
Does the IASB have any questions or comments on the matters discussed in this paper?

Share-for-share exchanges (proposals in draft paragraph 22D of IAS 32)

Feedback on the proposals

4. The ED proposed that a contract that will or may be settled only by the exchange of a fixed number of one class of an entity's own non-derivative equity instruments for a

fixed number of another class of its own non-derivative equity instruments (share-for-share exchanges) is an equity instrument.

5. Some respondents who commented on the fixed-for-fixed condition provided feedback on this topic.[1] Among those, most respondents agreed with the proposed share-for-share exchange requirements and said that this clarification is in line with current practice.

6. However, a few respondents asked the IASB to clarify whether preservation adjustments or passage-of-time adjustments described in draft paragraphs 22B–22C of IAS 32 *Financial Instruments: Presentation* would also apply to such share-for-share exchanges.

Staff analysis

Potential refinement

7. The staff believes that the IASB could clarify that preservation adjustments and passage-of-time adjustments would also apply to share-for-share exchanges described in paragraph 4 of this paper.

8. This is because such share-for-share exchange contracts are also derivatives that will or may be settled in the issuer's own equity instruments for which paragraph 16(b)(ii) of IAS 32 applies. In the absence of applying draft paragraphs 22B–22C of IAS 32, share-for-share exchanges containing those adjustments would inadvertently be classified as financial liabilities.

[1] Please refer to Agenda Paper 5 for this meeting for explanations of the terms used to broadly indicate the portion of respondents that reported a particular view. The feedback analysis on specific matters is based on the comments specifically made on that matter. Therefore, the terms that are used to indicate the portion of respondents that expressed a view are based on the population of respondents who specifically commented on each topic.

Settlement alternatives (proposals in draft paragraph AG27A(b) of IAS 32)

Feedback on the proposals

9. The IASB proposed that if a derivative gives one party a choice of settlement between two or more classes of an entity's own equity instruments, the fixed-for-fixed condition is assessed for each class of own equity instruments that may be delivered on settlement. Such a derivative is an equity instrument only if all the settlement alternatives meet the fixed-for-fixed condition.

10. Some respondents who commented on the proposed amendments to the fixed-for-fixed condition provided feedback on this topic. Among those, most also agreed with the proposed clarification relating to settlement alternatives. However, to ensure consistent application of the proposed amendment, some respondents asked for clarification that this requirement also applies in the context of the consolidated financial statements when there is a choice between settlement in parent or subsidiary shares.

11. In addition, a few respondents questioned the general application of paragraph 26 of IAS 32 which explains the accounting for settlement options in derivatives. In their view, the requirement is punitive because if one of the scenarios results in the instrument not being classified as equity, the entire instrument is classified as an asset or a liability regardless of the probability of that scenario. They made some suggestions for the IASB to expand the requirements so that more contracts would be classified as equity instruments, for example:
    (a) if the issuer has the choice of settlement and at least one of the alternatives meets the fixed-for-fixed condition;
    (b) if the occurrence of the liability scenario is under the control of the issuer and not probable of occurring;

(c) if the liability scenario results from an option to settle the instrument through a variable number of the issuer's own equity instruments without the delivery of cash or another financial asset; and

(d) if based on a probability assessment of each settlement alternative, the most likely settlement option is the one that meets the fixed-for-fixed condition.

Staff analysis

12. The staff notes that in the consolidated financial statements, the shares of the parent and the shares of the subsidiary are part of the group's own equity instruments. The group is the issuer of the embedded derivative on own equity and the issuer of the underlying equity instruments. Therefore, the proposed requirement related to settlement alternatives would also apply in the consolidated financial statements when there is a choice between settlement in parent or subsidiary shares. Draft Example 13 of the Illustrative Examples accompanying IAS 32 in the ED already illustrates this case. The staff therefore does not believe further clarification is needed.

13. The staff also notes that in developing the proposed requirements, the IASB considered the requirement in paragraph 26 of IAS 32—that a derivative that gives one party a choice of settlement is classified as a financial asset or a financial liability <u>unless</u> all the settlement alternatives would result in it being classified as an equity instrument.

14. Although that paragraph typically covers settlement options such as settlement net in cash, net in shares or an exchange of cash and shares, the staff is of the view that those are just examples of when paragraph 26 of IAS 32 applies.

15. With regards to the feedback described in paragraph 11 of this paper, the staff notes that paragraph BC20 of the Basis for Conclusions on IAS 32 explains the rationale for the requirement in paragraph 26 of IAS 32. The IASB concluded that entities should not be able to circumvent the accounting requirements for financial assets and

financial liabilities simply by including an option to settle a contract through the exchange of a fixed number of shares for a fixed amount.

16. The staff also thinks that assessing the probability of each settlement alternative occurring, and whether a particular scenario is under the control of the issuer, would introduce additional complexity and could require a high degree of judgement to be applied. In addition, the application of paragraph 26 of IAS 32 was not flagged in previous IASB outreach or consultations as a significant practice issue that needed to be addressed and reconsidering this requirement would be outside the scope of the FICE project.

Other matters

Clarification of terminology

Feedback on the proposals

17. A few respondents who commented on the fixed-for-fixed condition questioned how to interpret the meaning of 'fixed' in different cases:

    (a) *fixed amount of financial liability*—for example, in the proposed amendments to paragraph 16(b)(ii) of IAS 32, they asked whether 'a fixed amount of its financial liability' means a fixed principal amount of the financial liability that never changes. They noted that paragraph 22 of IAS 32 refers to 'a fixed stated principal amount'. In their view, a liability could have a fixed principal amount but a carrying value that varies because the financial liability is measured at amortised cost applying the effective interest method. They therefore questioned whether the reference to 'a fixed amount of its financial liability' refers to the principal amount, amount at amortised cost or another amount (for example fair value or outstanding amount). They recommended the IASB clarify the meaning of fixed amount and its interaction with the concept of a fixed exchange ratio referred to in the Basis for Conclusions on the ED.

(b) *fixed exchange ratio*—how to interpret the fixed exchange ratio when applied to a convertible bond where the conversion option can be exercised prior to maturity. It was mentioned that considering fixed exchange ratios appears to be a change to the current wording in paragraph 16(b)(ii) of IAS 32.

Staff analysis

18. As explained in paragraphs BC35–BC36 of the Basis for Conclusions on the ED, the IASB concluded that to meet the fixed-for-fixed condition, in general, a derivative contract is required to include a fixed exchange ratio—the amount of consideration to be exchanged per equity instrument delivered does not vary. If the exchange ratio is fixed, the amount of cash (or other consideration) to be paid or received in exchange for each of an entity's own equity instruments, would be fixed in the same way the amount the entity would receive per share would be fixed if it had issued the underlying equity instruments for cash instead (or the amount it would pay per share would be fixed if it had reacquired underlying equity instruments for cash instead). In the IASB's view, this situation means the entity's rights and obligations under the derivative are fixed and do not change based on any variables, such as the value of the equity instruments.

19. The staff notes that the concept of a 'fixed exchange ratio' was developed as a natural extension of the current wording for the fixed-for-fixed condition in paragraph 16(b)(ii) of IAS 32 ie a fixed amount of cash (or another financial asset) for a fixed number of its own equity instruments. Essentially, the principle means that the issuer must know the exact exchange or conversion ratio at inception of the derivative. The staff notes that the fixed amount of a financial liability would usually refer to the fixed principal amount as observed from the wording in convertible bond contracts. The example in paragraph 22 of IAS 32 also refers to the fixed principal amount (although

the staff acknowledges that this paragraph could also be referring to the bond as a financial asset).[2]

20. However, the staff points out that there may be cases where the exchange ratio is fixed, but the amount of consideration and the number of shares are variable. Such an example was illustrated in draft Example 14 in the ED—in that example, Entity X issues a five-year interest-bearing convertible bond of CU100 and has the right to add unpaid coupons to the principal amount. At maturity, the bondholder can choose to receive a cash amount equal to the bond's principal amount plus accrued interest, or to convert that amount into Entity X's ordinary shares. The contract specifies the conversion ratio as one ordinary share per CU1 amount outstanding of the convertible bond. If the holder exercises the conversion option, the amount of consideration (in the form of settling Entity X's financial liability) to be exchanged for each of Entity X's own shares is fixed.

21. Although the total amount outstanding of the financial liability might vary depending on the amount of interest accrued over the life of the bond and the number of equity instruments issued is variable, the conversion ratio is fixed from inception of the bond. The conversion option would therefore meet the fixed-for-fixed condition. The staff notes the same conclusion would be reached regardless of whether the convertible bond's interest rate is fixed or floating or if the conversion option could be exercised prior to maturity.

22. In addition, the staff has been made aware that there could be other fact patterns similar to that in draft Example 14 in the ED where the conversion ratio is fixed but the amount of the consideration to be exchanged in the form of settlement of the financial liability varies with forex or with an inflation index.

Potential refinement

23. The staff believes there are two alternatives the IASB could consider:

---

[2] Paragraph 22 of IAS 32 states: "…For example, an issued share option that gives the counterparty a right to buy a fixed number of the entity's shares for a fixed price or for a fixed stated principal amount of a bond is an equity instrument."

(a) remove draft Example 14 in the ED and clarify that a fixed exchange ratio that passes the fixed-for-fixed condition must be derived from a fixed amount of consideration for a fixed number of shares. This would also reduce any confusion about what a 'fixed amount of its financial liability' means. In addition, the perceived inconsistency with the conclusion in draft Example 20 in the ED would be removed (see paragraph 6(b) of Agenda Paper 5C of this meeting).

(b) clarify that a derivative contract must include a fixed exchange ratio to meet the fixed-for-fixed condition even if in some cases the consideration amount and the number of shares is variable. Because there could be variations of those cases, the IASB could decide to limit the cases that would pass the fixed-for-fixed condition to those involving:

    (i) fixed or variable interest rates, like the case in draft Example 14 in the ED.

    (ii) fixed or variable interest rates or unleveraged inflation indexes.

    (iii) fixed or variable interest rates, unleveraged inflation indexes or foreign exchange rates.

24. If the IASB decides on the alternative in paragraph 23(b) of this paper, it would need to consider in which cases, a variable consideration amount for a variable number of shares would pass the fixed-for-fixed condition.

25. The argument for expanding the principle beyond interest rates would be based on the fact that when the adjustments are made, they relate to the financial liability which is yet to be converted. The contract may specify a fixed exchange ratio eg the conversion ratio is one ordinary share per CU1 amount outstanding of the convertible bond. When the holder exercises the conversion option and the financial liability is converted into ordinary shares, the amount of consideration (in the form of settling the entity's financial liability) to be exchanged for each of the entity's own shares is fixed. Although the total amount outstanding of the financial liability might vary

depending on fixed or variable interest rates, foreign exchange rates or inflation rates over the life of the bond, the conversion ratio is fixed from inception of the bond.

26. The staff notes that retaining the conclusion in draft Example 14 in the ED could be perceived as inconsistent with the conclusion in draft Example 20 in the ED (see paragraph 6(b) of Agenda Paper 5C for this meeting). The staff also acknowledges that what the IASB decides on passage-of-time adjustments may impact the conclusion it reaches on this matter.

27. Finally, the staff wishes to highlight the concern that retaining draft Example 14 in the ED and extending the principle to inflation or forex cases could lead to structuring opportunities to circumvent the fixed-for-fixed requirements.

28. In cases where the principal and interest on the bond are indexed for example, to changes in the unleveraged CPI inflation of the economic environment of the issuer, it could be argued that these inflation adjustments are regarded as a means to reset the time value of money to a current level so that the interest rate on the instrument reflects ‘real’ interest. If there is a fixed conversion ratio such as one ordinary share per CU1 amount outstanding of the convertible bond, applying the alternative in paragraph 23(b) of this paper, would lead to equity classification for such conversion options in CPI linked convertible bonds. However, if the contract did not specify a fixed conversion ratio, then such a convertible bond would fail the fixed-for-fixed condition because a variable amount of consideration would be exchanged for a fixed number of shares.

29. Similarly, the staff considered a foreign currency convertible note. The conversion feature allows the holder to convert the debt into ordinary shares at a rate of one ordinary share per CU1 amount outstanding based on the issuer’s functional currency. It could also be argued that as long as there is a fixed exchange ratio, the conversion option could be classified as equity. However, as discussed in paragraphs 13–15 of Agenda Paper 5A for this meeting, if there is no fixed exchange ratio, the conversion feature in foreign currency denominated convertible bonds fails the fixed-for-fixed

condition because a fixed number of shares is exchanged for a variable amount of cash in functional currency.

Non-derivatives (paragraph 16(b)(i) of IAS 32)

Feedback on the proposals

30. Paragraph 16(b)(i) of IAS 32 includes the requirement that, for a non-derivative instrument that will or may be settled in the issuer's own equity instruments to be classified as an equity instrument, there is no contractual obligation for the issuer to deliver a variable number of its own equity instruments.

31. A few respondents that commented on the fixed-for-fixed condition asked for further clarification on whether (or how) some of the proposals would apply to non-derivative instruments such as:

    (a) the requirement for consideration to be in the entity's functional currency, for example foreign currency denominated Additional Tier 1 instruments.

    (b) the preservation adjustments. An example might be an entity that receives CU100 for the issuance of 100 ordinary shares in a year. The contractual terms of the instrument state that if the entity does a share split (1:2) during that year, it would be obliged to issue 200 ordinary shares.

    (c) the proposed requirement for share-for-share exchanges. For example, in private equity-backed companies, it is customary for one class of shares to be convertible into another class of equity shares. While these conversions are normally 1 to 1, they could involve a down-round clause that is triggered based on the share pricing for future funding rounds.

32. With regards to the example mentioned in paragraph 31(c) of this paper, respondents said that in their view, it is acceptable to classify the entire instrument as equity if the issuance of the new ordinary shares (and therefore the trigger of the down-round feature) is within the entity's control. They are concerned that if the conversion

feature was accounted for as an embedded derivative it could lead to a different classification outcome. This is because, if a contract that could be settled by exchanging a variable number of equity instruments for a fixed number of another class of equity instruments is not an equity instrument in itself, it would require the embedded derivative to be separated from the equity host contract. Respondents believed that this would be a significant change to the current practice of not identifying embedded derivatives in non-derivative equity host contracts for these types of instruments.

Staff analysis

33. When developing the ED, the IASB considered that no additional clarifications would be needed to the requirements for classifying non-derivative instruments. As explained in paragraph 43 of Agenda Paper 5 for the December 2019 IASB meeting, determining what is a 'fixed number of its own equity instruments' would also affect the classification of non-derivatives. This is because paragraph 16(b)(i) of IAS 32 requires there to be no obligation in a non-derivative instrument to deliver a 'variable' number of shares.

34. However, in light of respondents' feedback questioning whether and if so, how the proposed requirements related to the 'fixed-for-fixed' condition would apply to non-derivatives, the staff reconsidered whether any clarifications are needed.

35. The staff acknowledges that the classification requirements in IAS 32 are worded differently for non-derivatives in paragraph 16(b)(i) of IAS 32 and derivatives in paragraph 16(b)(ii) of IAS 32. The underlying principle is however the same. In other words, applying paragraph 21 of IAS 32, if an entity uses its own equity instruments 'as currency' by delivering a variable number of shares either to the value of a fixed amount, or an amount that is based on changes in an underlying variable (such as a commodity price), the contract is not an equity instrument but is a financial liability.

36. The staff notes that when classifying non-derivative instruments which do not contain any contractual obligation to deliver cash, the focus in paragraph 16(b)(i) of IAS 32 is

on whether there is a contractual obligation to deliver a variable number of own equity instruments. The consideration amount is usually received upfront so unlike derivatives containing two legs to the transaction, there is no reference to a future settlement of a fixed amount of cash or another financial asset in exchange for own equity instruments.

37. Therefore, the staff thinks the proposed requirements related to functional currency would only apply to derivatives in paragraph 16(b)(ii) of IAS 32. Furthermore, if a non-derivative instrument is classified as equity, it becomes a non-monetary item that is not translated for foreign currency purposes. Therefore, foreign currency denominated Additional Tier 1 instruments would be classified as equity if there is no obligation to deliver a variable number of own equity instruments. If the trigger event occurs, the entity is merely exchanging one equity instrument for another in a manner that does not give rise to a financial liability. Therefore, foreign currency denomination is not relevant.

38. The staff considered the concern raised by a few respondents about separating embedded derivatives from equity instruments as described in paragraph 32 of this paper. We note that IFRS 9 *Financial Instruments* requires an entity to assess whether any embedded derivatives should be separated from a host contract that is not a financial asset. In the staff's view, such a host contract could be an equity instrument. Paragraph B4.3.2 of IFRS 9 states:

> If a host contract has no stated or predetermined maturity and represents a residual interest in the net assets of an entity, then its economic characteristics and risks are those of an equity instrument, and an embedded derivative would need to possess equity characteristics related to the same entity to be regarded as closely related…

39. However, draft paragraph 22D of IAS 32 was meant to apply to *stand-alone derivative contracts* that represent share-for-share exchanges ie both legs of the derivative involve a different class of an entity's own non-derivative equity

instruments. The focus was on a fixed number of the entity's own equity instruments in exchange for a fixed number of a different class of the entity's own equity instruments.

40. The IASB considered share-for-share exchanges involving a receipt of a fixed number of one type of equity instrument for a variable number of another type of equity instrument when it discussed obligations to redeem own equity instruments. The IASB clarified in the ED that the requirements in paragraph 23 of IAS 32 for contracts containing an obligation for an entity to purchase its own equity instruments also apply to contracts that will be settled by delivering a variable number of another class of the entity's own equity instruments. This is because using a variable number of own shares as 'currency' in settlement is consistent with the definition of a financial liability in paragraph 11 of IAS 32 and the requirement in paragraph 21 of IAS 32.

41. However, in the example given by respondents, a fixed number of one type of shares would have been exchanged for a fixed number of another type of shares if it had not been for the down-round adjustment. The staff does not think this is a transaction in the scope of paragraph 23 of IAS 32 ie a buy-back of one class of own shares using another class of own shares as currency. The question is whether share-for-share exchanges could be embedded derivative contracts.

42. The staff considers that down-round adjustments are more common in convertible bond contracts where the conversion feature is embedded in the host financial liability. As the contract in the example given by respondents would otherwise have been seen as a non-derivative equity instrument eg a fixed number of preference shares that are convertible into a fixed number of ordinary shares, the staff thinks the down-round feature relates to a non-derivative contract rather than representing an embedded derivative. If the IASB were to clarify that preservation adjustments can be applied to non-derivative instruments (see paragraph 44 of this paper), the down-round feature would not qualify as a preservation adjustment as it would benefit the preference shareholders more than the existing ordinary shareholders. However, the staff thinks that the entire instrument could still be classified as an equity instrument

at initial recognition if it does not contain an obligation to deliver a variable number of own equity instruments eg if the entity can avoid the trigger of the down-round feature by not issuing shares below the conversion price.

43. The staff therefore does not think any further clarification in this regard needs to be made as entities would need to assess whether they are in the scope of paragraph 16(b)(i) or paragraph 16(b)(ii) of IAS 32 based on the specific terms and features of the contract being assessed and apply the proposed requirements accordingly.

Potential refinement

44. Because paragraph 16(b)(i) of IAS 32 refers to the number of own equity instruments, the staff agrees that any variations in the number of shares due to either preservation adjustments or passage-of-time adjustments should be allowed in the same way as for derivatives. Therefore, if there is an anti-dilution clause and the number of shares that will be delivered to settle a non-derivative instrument is adjusted for a share split, such an instrument would still be classified as equity.

Inconsistency with the Conceptual Framework for Financial Reporting and US GAAP

Feedback on the proposals

45. A few respondents who commented on the proposals related to the fixed-for-fixed condition advocated for a more fundamental change to the fixed-for-fixed condition, saying that the strict requirements should be replaced with more principle-based requirements for distinguishing between equity and liabilities.

46. They said that the classification of an obligation to deliver a variable number of the reporting entity's own shares as a financial liability is inconsistent with the liability

definition in the *Conceptual Framework for Financial Reporting* (Conceptual Framework) because own shares is not an economic resource.[3]

47. These respondents were also concerned about the impact of liability classification on the statement of comprehensive income—that recognising fair value changes in profit or loss would be counterintuitive, since a gain arises when the fair value of the issuer's shares decreases, and vice versa.

48. They also noted that the part of the change in fair value of the derivative that results from changes in the fair value of the underlying equity instruments reflects possible future distributions to holders of those underlying equity instruments. They said the entity will not benefit from the economic benefits of the underlying equity instruments. Furthermore, distributions to holders of equity instruments do not meet the definition of an expense in the Conceptual Framework.[4]

49. A few respondents also mentioned that there is inconsistency between US GAAP and IFRS Accounting Standards. They said the proposals are more restrictive compared to US GAAP because US GAAP provides some exceptions where the substance of the derivative is equity (eg in cases of down round features or where adjustments are made based on changes in the reporting entity's share price). They also observed that the classification of a call option over own shares that is net settled in shares is a typical IFRS vs US GAAP difference and leads to a significant disadvantage for European companies applying IFRS Accounting Standards, that are listed on a US stock exchange.

50. They advocated for simpler requirements that classify more obligations to deliver own shares as equity instruments. One suggestion was to align the definition of a financial liability with the definition of a liability in the Conceptual Framework. Another suggestion included changing the definition of a liability in the Conceptual

[3] Paragraph 4.27 of the Conceptual Framework states that for a liability to exist, three criteria must all be satisfied (a) the entity has an obligation; (b) the obligation is to transfer an economic resource; and (c) the obligation is a present obligation that exists as a result of past events.

[4] Paragraph 4.69 defines expenses as decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims.

Framework to clarify that the holder of the instrument is not substantially exposed to the risks and rewards of ownership of the shares (or other residual interests).

Staff analysis

51. The staff thinks changing the definition of a liability in the Conceptual Framework or the definition of a financial liability in IAS 32 or changing the fixed-for-fixed condition to achieve convergence with US GAAP would result in a fundamental change to the classification requirements. This would be outside the scope of the FICE project.

52. As mentioned in paragraph 47 of this paper, some might consider recognising fair value changes on derivatives over an entity's own equity in profit or loss to be counterintuitive. However, the staff notes that the proposed disclosures in IFRS 7 *Financial Instruments: Disclosures* would provide additional information on derivatives that are classified as financial liabilities because they do not meet the fixed-for-fixed condition.

53. Draft paragraph 20 of IFRS 7 would require entities to disclose the gains or losses recognised in each reporting period on financial liabilities that include contractual obligations to pay amounts that vary with the issuing entity's performance or changes in its net assets separately from the gains or losses on other financial liabilities. These disclosures apply to both financial liabilities designated at fair value through profit or loss and those mandatorily measured at fair value through profit or loss.

54. In the IASB's view, this information would help users of financial statements understand the impact on profit or loss of changes relating to the issuing entity's performance or changes in its net assets. It would also help distinguish these gains or losses from income and expenses arising from other types of financial liabilities.