IFRS Accounting

Staff paper

Agenda reference: 5D

IASB® meeting

Date	**June 2025**
Project	**Financial Instruments with Characteristics of Equity (FICE)**
Topic	**Timing of issuing the proposed amendments related to presentation and disclosures**
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Introduction

1. At the July 2024 meeting, the IASB asked the staff to explore whether the issuance of the amendments related to presentation of equity instruments and disclosures discussed in Agenda Papers 5A and 5B for this meeting, could be expedited to align their effective date with that of IFRS 18 *Presentation and Disclosure in Financial Statements.*

2. The staff presented its preliminary analysis and views on the timing of issuing these amendments as part of its outreach on the proposed presentation and disclosure requirements. We asked stakeholders if there was anything else the IASB should consider that would be relevant in assessing the timing of finalising the presentation and disclosure requirements. In this paper the staff summarises and analyses the feedback from stakeholders on this matter.

3. At this meeting the IASB will be asked whether it agrees with the staff recommendation not to expedite the issuance of the amendments related to presentation and disclosures discussed in Agenda Paper 5A and 5B for this meeting.

Overview

4. This paper is structured as follows:

   (a) staff recommendation;

   (b) question for the IASB;

   (c) background;

   (d) feedback from stakeholders including consultative groups;

   (e) staff analysis and recommendation.

Staff recommendation

5. The staff recommends the IASB **not** expedite the issuance of the amendments related to presentation and disclosures discussed in Agenda Papers 5A and 5B for this meeting before issuing the amendments related to classification and other disclosures.

Question for the IASB

Question for the IASB
1. Do you agree with the staff's recommendation as summarised in paragraph 5 of this paper?

Background

6. At its July 2024 meeting, the IASB discussed the feedback from users of financial statements (Agenda Paper 5A) on the proposals in the Exposure Draft *Financial Instruments with Characteristics of Equity* (the ED) issued in November 2023. . Investors largely supported the proposals on both the presentation of equity instruments and the new disclosure requirements to be included in IFRS 7 *Financial Instruments: Disclosures*. The proposals were generally seen as beneficial for

improving transparency and comparability of financial information about financial instruments with characteristics of equity.

7. At that meeting, the IASB also discussed the project plan and indicative project timeline for finalising the proposed amendments to IAS 32 *Financial Instruments: Presentation,* IFRS 7 and IFRS 18. A few IASB members asked the staff to explore whether the amendments related to presentation and some of the disclosures could be expedited, before finalising the amendments related to classification and other disclosures.

8. The disclosures considered for expediting were those that originated from proposals in the 2018 Discussion Paper *Financial Instruments with Characteristics of Equity* (2018 DP) related to:

   (a) the terms and conditions of financial instruments with both financial liability and equity characteristics;

   (b) the nature and priority of claims arising from financial instruments on liquidation; and

   (c) the potential dilution of ordinary shares.

9. Expediting the issue of these amendments would enable entities to apply the new requirements at the same time as they first apply IFRS 18 and would result in users of financial statements benefitting from the improved transparency and information that would be provided by the new requirements in a timely manner. The new presentation and disclosure requirements could be considered in isolation because these requirements are not expected to be affected by any amendments to IAS 32 related to classification of issued financial instruments.

10. The IASB therefore started its redeliberations on the ED by analysing the feedback on, and potential refinements to, the proposed presentation and the abovementioned disclosure requirements in October 2024 and February 2025.

Feedback from stakeholders including consultative groups

11. As part of our outreach on the potential changes to the proposed presentation and disclosure requirements discussed in Agenda Papers 5A and 5B for this meeting, the staff also asked stakeholders for their views on the timing of finalising and issuing these amendments.

12. Paragraphs 13–17 of this paper summarise the feedback obtained from the following stakeholder meetings:

    (a) Capital Markets Advisory Committee;

    (b) Accounting Standards Advisory Forum;

    (c) Global Preparers Forum;

    (d) Institute of International Finance's International Accounting and Reporting Forum; and

    (e) Emerging Economies Group .

13. Most stakeholders were of the view that the IASB should not expedite the issuance of the amendments related to presentation and disclosures before issuing the amendments related to classification and other disclosures. This includes not aligning their effective date with the effective date of IFRS 18. The reasons they gave included:

    (a) in their view, the IASB, needs to do field testing to evaluate the practical implications of requirements to allocate profit or loss amounts between different equity right holders and to assess the costs to preparers of providing the proposed disclosures.

    (b) preparers and users of financial statements should be given enough time to fully understand and implement the amendments. Additional implementation time is needed because significant analysis and judgment might still be required from preparers, especially non-financial institutions, despite the simplifications to the proposed disclosure requirements.

(c) finalising and publishing all amendments, including classification amendments, as a single integrated package is preferred. In their view, it could be misleading for entities to disclose information based on the current classification, which could change later due to the classification amendments even though the instrument itself did not change.

14. These stakeholders were of the view that if the IASB makes tentative decisions on these two topics now, entities will have time to digest and assess the potential effects, including identifying any potential application challenges. This would then enable the IASB to clarify particular aspects of the requirements if necessary, before issuing the final amendments.

15. Some of these stakeholders also acknowledged that preparers have more flexibility regarding making possible changes to presentation and disclosure requirements earlier than they do for possible changes to recognition and measurement requirements. In their view, if the IASB has already clarified the future direction for presentation and disclosure, preparers could consider voluntarily applying the proposed disclosure requirements without contradicting currently applicable requirements in IFRS Accounting Standards.

16. On the other hand, some stakeholders were supportive of issuing these proposed amendments earlier on a stand-alone basis, but with a different effective date to the effective date of IFRS 18. In their view, the IASB might need additional time to finalise the amendments related to classification whereas these presentation and disclosure amendments are easier to agree on. For example, stakeholders have different views on how the IASB could refine the proposals for some classification topics such as the 'effects of relevant laws or regulations' and 'obligations to purchase own equity instruments'. Suggestions made by stakeholders in this regard include:

(a) a few that said these amendments should have an effective date that is later than that of IFRS 18 to allow entities enough time to implement the IFRS 18 requirements before focusing on these amendments.

(b) one that said that despite having a later effective date than IFRS 18, it would be helpful if the IASB made these amendments available for early application when entities first apply IFRS 18 in 2027. This stakeholder said doing so would enable entities to make necessary changes to the statement of profit or loss, where possible, only once.

(c) a few others that said these amendments should be issued before the amendments to classification and other disclosures because the possibility of a change in classification of some financial instruments or duplication of efforts is a risk worth taking to give users of financial statements better information sooner.

17. A few stakeholders said it would be useful to see an overall update of the project timeline because presentation and disclosures are just two elements of this project and the expected timing of finalising the overall project could affect their view on whether the IASB should issue the amendments related to presentation and disclosures earlier.

Feedback on the ED

18. In addition, there was some feedback on the presentation and disclosure proposals in the ED related to transition:

(a) a few respondents said retrospective restatement of equity attributable to ordinary shareholders and other owners would be challenging and costly to apply and suggested the IASB consider providing some transitional relief.

(b) a few respondents requested a sufficient transition period for preparers, auditors and regulators considering the expanded disclosure requirements. They said:

(i) preparers need time to source the data required to prepare disclosures and to align or reduce duplicative disclosures because there is a potential overlap between the disclosure proposals and other reporting and disclosure requirements outside the financial statements; and

(ii) 18–24 months will be needed in order to collect the data required to meet the proposed disclosure requirements.

Staff analysis and recommendation

19. At this time, the staff does not think there are compelling reasons to expedite the issuance of the amendments related to presentation and disclosures discussed in Agenda Papers 5A and 5B for this meeting, before issuing the amendments related to classification and other disclosures because:

    (a) the effective date of IFRS 18 (1 January 2027) is fast approaching and preparers and users of financial statements need enough time to fully understand and implement the amendments;

    (b) other disclosures related to the classification topics would be finalised together with any classification amendments, resulting in entities being required to apply two sets of new disclosures at different times; and

    (c) if finalisation of the classification amendments results in changes to the classification of a financial instrument, it could also affect the disclosures that would be provided in this part of the package (eg an equity instrument with debt-like features could potentially become a financial liability with equity-like features).

20. The staff notes that the stakeholders we consulted with generally agreed with the staff's view not to expedite the issuance of these amendments before issuing the amendments related to classification and other disclosures for the reasons noted in paragraph 19 of this paper.

21. The staff thinks the IASB does not need to perform further field testing. We have consulted widely and discussed potential presentation and disclosure requirements with stakeholders since the time of developing the 2018 DP to date. The staff further thinks that even if the amendments related to presentation and disclosures are not expedited and would not be effective at the same time as IFRS 18, entities can already

start to consider implementation issues based on the IASB's tentative decisions at this meeting. If there are any residual concerns, they can inform the IASB and any sweep issues can be discussed at a future IASB meeting prior to issuing the final amendments on the entire package.

22. In addition, from both a due process point of view and a project management perspective, it would be more efficient to prepare all the amendments arising from the classification, presentation and disclosure proposals in the ED in a single package. Separating the project into two parts would result in duplicating some steps of the project (for example, issuing two sets of final amendments, supporting material etc) and could delay the finalisation of the project.

23. To ensure that investors benefit from the improved information that would be provided by the new presentation and disclosure requirements in a timely manner, the IASB could consider an earlier effective date or earlier application from that of the rest of the amendments even if they are all finalised as part of a single package. The IASB can decide on this later when they decide on the effective date of all the amendments.

24. The staff therefore recommends the IASB **not** expedite the issuance of the amendments related to presentation and disclosures discussed in Agenda Papers 5A and 5B for this meeting before issuing the amendments related to classification and other disclosures.