IFRS Accounting

Staff paper

Agenda reference: 22A

IASB® meeting

Date	**September 2025**
Project	**Provisions—Targeted Improvements**
Topic	**Discount rates—required rates**
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Purpose of the session

1. The International Accounting Standards Board (IASB) published Exposure Draft *Provisions—Targeted Improvements* (Exposure Draft) in November 2024, with a comment deadline of 12 March 2025. The Exposure Draft proposes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

2. At its June 2025 meeting, the IASB discussed feedback on the Exposure Draft proposals. Agenda Paper 22E for that meeting summarised feedback on proposals relating to the rate an entity uses to discount future expenditure to its present value.

3. At their July 2025 meeting, members of the Accounting Standards Advisory Forum (ASAF) provided their views on how the IASB should move forward in the light of that feedback.

4. At this meeting, we will ask the IASB to redeliberate the discount rate proposals in the light of the feedback in comment letters and from ASAF members.

5. This paper asks for decisions on the proposal to require an entity to discount a provision at a rate that reflects the time value of money—represented by a risk-free rate—with no adjustment for the risk that the entity will not settle its obligation (non-performance risk).

Summary of staff recommendations

6. We recommend that the IASB:

   (a) retain the Exposure Draft proposal to require an entity to discount a provision at a rate that reflects the time value of money—represented by a risk-free rate—with no adjustment for the effect of non-performance risk;

   (b) add no application guidance to IAS 37 on how an entity determines an appropriate risk-free discount rate;

   (c) clarify in IAS 37 that the best estimate of the expenditure required to settle an obligation is not reduced to reflect the effect of non-performance risk; and

   (d) add no requirements on the use of real or nominal discount rates in measuring a provision.

Structure of the paper

7. The paper discusses:

   (a) feedback on the proposal to require a risk-free rate (paragraphs 9–26);

   (b) requests for:

      (i) application guidance on determining a risk-free rate (paragraphs 27–36);

      (ii) clarification of whether the cash flows should exclude the effect of non-performance risk (paragraphs 37–43); and

      (iii) requirements on the use of a real or a nominal discount rate (paragraphs 44–54).

8. The appendix to this paper sets out minor comments raised by stakeholders and the staff's responses. We will not raise any of these comments for discussion in the meeting unless asked to do so by an IASB member.

Proposal to require a risk-free rate

Exposure Draft proposals

9. IAS 37 requires an entity to measure a provision at the best estimate of the expenditure required to settle its present obligation, and to discount that expenditure to its present value if the time value of money is material. IAS 37 does not specify whether the discount rate(s) used should reflect non-performance risk.

10. The Exposure Draft proposes to specify that the discount rate(s) used should exclude the effect of non-performance risk:

    (a) paragraph 47 of the Exposure Draft proposes to require the discount rate to be a pre-tax rate (or rates) that reflect(s):

        (i) current market assessments of the time value of money, represented by a risk-free rate; and

        (ii) risks surrounding the amount or timing of the expenditure required to settle the obligation if those risks are not reflected in the estimates of the future cash flows.

    (b) paragraph 47A of the Exposure Draft states that the rate(s) should not reflect non-performance risk.

11. The proposed amendments would most significantly affect entities with large long-term provisions—typically the asset decommissioning and environmental rehabilitation provisions of entities operating in oil and gas, mining and energy generation sectors. At present, practice among entities in these sectors varies, with some entities using risk-free discount rates and others using (higher) rates adjusted to reflect their own credit risk.

Summary of feedback

12. Most respondents commenting agreed with the proposal to require entities to discount provisions at a rate that excludes the effect of non-performance risk. These respondents included:

    (a) all the users of financial statements and regulators commenting;

    (b) almost all the accounting firms, national standard-setters and accountancy bodies commenting; and

    (c) almost all the preparers of financial statements commenting—other than those from Canadian oil and gas companies.

13. Of those who agreed with the proposal and explained their reasons for agreeing:

    (a) many said the proposed requirement would bring more consistency, reduce diversity in practice and improve comparability in how entities determine their discount rates.

    (b) some said the proposed requirement would reduce the subjectivity of the discount rates used.

    (c) some said that the proposed requirement would avoid outcomes they view as counter-intuitive, such as entities with higher credit risk recognising smaller provisions.

    (d) some said the proposed requirement would make determining discount rates simpler and less costly and would be consistent with prevailing practice.

14. Some respondents disagreed with the proposal to require entities to discount provisions at a rate that excludes the effect of non-performance risk. These respondents are primarily from Canada—the national standard-setter and several preparers of financial statements, mostly in the oil and gas industry—along with a few other respondents of various types and from various jurisdictions.

15. The Canadian respondents expressed a concern that, if Canadian entities are required to measure provisions using a risk-free discount rate, they might face a competitive disadvantage when raising capital in the US market. Respondents noted that:

    (a) a requirement to use a risk-free rate would cause the requirements for measuring asset decommissioning obligations in IAS 37 to diverge from those in US Generally Accepted Accounting Principles (US GAAP). Under US GAAP, an entity measures asset decommissioning obligations using a credit-adjusted discount rate.

    (b) entities applying IAS 37 would report larger provisions than similar entities reporting under US GAAP. The respondents said that this difference could result in a misperception of the financial health of Canadian entities, reducing their attractiveness to investors, particularly when compared to similar entities reporting under US GAAP.

    (c) although there is diversity in practice in Canada, the information entities disclose is sufficiently robust and transparent to ensure that differences in practice are well understood by investors.

16. Furthermore, the Canadian respondents and a few other respondents expressed concern that the use of a risk-free discount rate would:

    (a) not achieve comparability because entities would inevitably use different risk-free rates.

    (b) not reflect the true economics of a provision and be inconsistent with the rates required by other IFRS Accounting Standards.

17. In the light of their views:

    (a) the Canadian respondents and an accountancy body (in Europe) suggested requiring entities to disclose more information about the discount rates they have used, instead of requiring all entities to use risk-free rates.

    (b) an accounting firm suggested requiring a rate similar to that required by paragraphs 83–86 of IAS 19—namely, a rate determined by reference to the market yields on high-quality corporate bonds or, if no deep market exists for such bonds, the market yields on government bonds.

18. At the July 2025 ASAF meeting:

    (a) most representatives said they continued to support the IASB's proposal to require entities to discount provisions at a rate that excludes the effect of non-performance risk. Some representatives reiterated the reasons set out in paragraph 13 of this paper.

    (b) the Canadian Accounting Standards Board (AcSB) representative reiterated the AcSB's disagreement with the proposal, its reasons for disagreeing and its suggested alternative, as set out in paragraphs 15–17(a) of this paper.

Staff analysis

US GAAP alignment

19. As explained in paragraph 15 of this paper, the main concern of respondents who disagreed with the Exposure Draft proposals related to divergence from US GAAP.

20. The IASB had considered this concern when it was developing the Exposure Draft proposals. As it explained in paragraphs BC79 and BC80 of the Basis for Conclusions on the Exposure Draft:

BC79 A few stakeholders said they would favour including non-performance risk in the discount rate because doing so would make the requirements in IAS 37 for asset decommissioning and associated environmental rehabilitation obligations more consistent with those in US generally accepted accounting principles (US GAAP). Under US GAAP, an entity measures these obligations using a credit-adjusted discount rate.

BC80 However, the IASB concluded that a requirement to include non-performance risk in the measure of a provision would only marginally improve consistency between IAS 37 and US GAAP requirements because:

(a) the credit-adjusted rate entities use in applying US GAAP differs from the rate IAS 37 would require if it were to mandate inclusion of non-performance risk. The credit-adjusted rate entities use in applying US GAAP reflects those entities' credit standing at the date of initial recognition, but does not reflect:

(i) changes in their credit standing after initial recognition; or

(ii) the non-performance risk specifically associated with the liability being measured.

(b) there are several other differences between IAS 37 and US GAAP requirements for recognising and measuring asset retirement and associated environmental rehabilitation obligations.

21. It is also of note that, although US GAAP requires credit-adjusted discount rates for asset decommissioning and related environmental obligations, US GAAP does not permit credit-adjusted discount rates for some other types of obligations within the scope of IAS 37.[1] For example, SEC staff guidance on measuring loss contingencies states that, for environmental obligations other than those associated with asset decommissioning, and for product liability obligations, the discount rate used 'should not exceed the interest rate on monetary assets that are essentially risk free'.[2]

1 As explained in more detail in paragraphs 3.24 and 3.25 of IASB October 2022 meeting Agenda Paper 12A *Provisions—Targeted Improvements—Discount rates—non-performance risk*

2 SEC Staff Accounting Bulletin (SAB) Topic 5.Y *Accounting and Disclosures Relating to Loss Contingencies* (reproduced in FASB ASC paragraph 450-20-S99-1)

Need for standardisation of discount rates

22. As explained in paragraph 17(a) of this paper, a few of the respondents disagreeing with the Exposure Draft proposals argued that there is no need to standardise discount rates for provisions—the desired improvements in comparability and transparency could be achieved by enhancing the disclosure requirements in IAS 37.

23. The IASB had considered this view when it was developing the Exposure Draft proposals.[3] However, IASB members had noted that, as means of enhancing comparability, strengthening disclosure requirements would be less effective on its own than in combination with standardising discount rates. IASB members had also noted that most investors consulted during the development of the proposals had said that measures of provisions would be more useful if entities used more standardised discount rates. Consequently, IASB members had concluded that developing a 'disclosure only' option would be a last resort that the IASB should consider at a later stage only if all other options proved to be unworkable.[4]

24. As detailed in paragraph 13 of this paper, most respondents commenting agreed with the proposal to require entities to discount provisions at a risk-free rate, indicating that such a requirement will be workable.

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3 Paragraphs 55–59 of IASB July 2023 meeting Agenda Paper 22A Provisions—Targeted Improvements—Discount rates—stakeholder feedback

4 Paragraph 18 of IASB November 2023 meeting Agenda Paper 22 Provisions—Targeted Improvements—Discount rates

Staff recommendations and question for the IASB

25. We think the feedback on the Exposure Draft supports the IASB's proposal to require entities to discount provisions at a rate that excludes the effect of non-performance risk:

    (a) most respondents commenting on the proposal—including stakeholders of all types and from most regions—agreed with it; and

    (b) although a minority of respondents disagreed with the proposal, they did so for reasons the IASB had already considered in developing the Exposure Draft proposals.

26. Consequently, we recommend that the IASB retain the Exposure Draft proposal to require an entity to discount a provision at a rate that reflects the time value of money—represented by a risk-free rate—with no adjustment for the effect of non-performance risk.

Proposal to require a risk-free rate
1. Do you agree with our recommendation in paragraph 26?

Whether to add guidance on determining a risk-free rate

Exposure Draft proposals

27. The Exposure Draft proposes to add no application guidance to IAS 37 on how an entity determines an appropriate risk-free discount rate. Paragraph BC81 of the Basis for Conclusions on the Exposure Draft explains the IASB's reasons:

> BC81 The IASB proposes to add no application guidance to IAS 37 on how an entity determines an appropriate risk-free discount rate. In reaching this decision, the IASB noted that:
>
> (a) practice is already well-established without guidance in IAS 37. Many preparers of financial statements already estimate a risk-free rate for measuring provisions, either to implement a policy of discounting at a risk-free rate or as the starting point for estimating a credit-adjusted rate.
>
> (b) provisions within the scope of IAS 37 vary widely in their terms and the circumstances of their settlement. The IASB cannot develop guidance to cover all possible terms and circumstances and so might be unable to develop any guidance beyond basic principles that are already widely understood.
>
> (c) several other IFRS Accounting Standards require assets or liabilities to be measured by reference to risk-free interest rates. Any guidance added to IAS 37 could have unintended consequences for those other Standards.

28. However, paragraph BC82 of the Basis for Conclusions adds that:

> BC82 Typically, entities determine an appropriate risk-free rate by reference to an observable market proxy for a risk-free rate, such as the current yield on a low-risk government bond in a currency consistent with that of the provision. In some cases, an entity might adjust that yield—for example, to compensate for differences between the duration and liquidity of the investment and those of the provision. However, the IASB does not expect all entities to make such adjustments.

Summary of feedback

29. Some respondents requested application guidance on specific matters that can arise in determining a risk-free discount rate:

    (a) an accounting firm requested guidance for cases in which government bonds in the currency of the liability are not sufficiently low-risk—whether an entity could use other proxies, such as the current yield on a high-quality corporate bond or the overnight borrowing rate.

    (b) a regional group of national standard-setters and an accounting professional body (both in Africa) requested guidance for cases in which a jurisdiction experiences economic uncertainties (for example, currency volatility and hyperinflation/high inflation).

    (c) a national standard-setter (in Asia-Oceania) and a preparer of financial statements requested guidance for cases in which the interest rate is zero or negative.

30. With regard to liquidity adjustments, a few respondents suggested:

    (a) providing guidance on when and how an entity should make such adjustments, instead of simply stating in the Basis for Conclusion that the IASB does not expect all entities to make such adjustments; or

    (b) incorporating paragraph BC82 into IAS 37 or, at least, retaining it in the Basis for Conclusions accompanying the amendments when they are issued. One representative at the July 2025 ASAF meeting made a similar suggestion.

31. An accounting firm suggested stating the objective for using a risk-free discount rate. The firm argued that, because in some cases there will not be a completely risk-free market investment to refer to, knowing the objective of the rate would help entities determine an appropriate approximation.

Staff analysis

32. Regarding the three specific matters for which respondents requested application guidance (see paragraph 29 of this paper), we note that:

    (a) *these questions already arise in practice*—entities already have to consider these questions when determining the rate at which to discount a provision, and practices have developed to address them;

    (b) *the proposed amendments do not make these questions more difficult to answer*—the amendment to IAS 37 goes no further than specifying that the discount rate(s) used should exclude the effect of non-performance risk; and

    (c) *we have no evidence of widespread problems in practice*—only a few respondents asked for guidance on each of the questions listed and none of these respondents provided evidence of widespread problems in practice.

33. Regarding respondents' request for guidance on liquidity adjustments (see paragraph 30 of this paper), we note that any guidance on liquidity adjustments in IAS 37 might be of relatively little use. The process for determining an appropriate liquidity adjustment is not straightforward, so an entity that decides to make a liquidity adjustment is likely to refer to specialist guidance and advice to help it develop and apply an appropriate methodology.

34. Regarding the suggestion that the IASB state the objective for using a risk-free rate, we note that doing so would expand the scope of the project. The scope of this project is limited to specifying whether the discount rate used to measure a provision should reflect non-performance risk. Stating an objective for the discount rate would require a broader analysis of the measurement objective in IAS 37.

Staff recommendations and question for the IASB

35. Based on our analysis of the feedback in paragraphs 32–34, we conclude that:

(a) it is important to clarify that, in determining an appropriate risk-free discount rate, an entity may adjust the yield on a market investment to compensate for duration and liquidity differences but, as explained in paragraph BC82 of the Basis for Conclusions on the Exposure Draft, the IASB does not expect all entities to make such adjustments. The IASB could retain the text of paragraph BC82 in the Basis for Conclusions accompanying the amendments when they are issued.

(b) the feedback on the Exposure Draft does not call into question the IASB's reasons (explained in paragraph BC81 of the Basis for Conclusions on the Exposure Draft) for adding no application guidance on determining an appropriate risk free rate.

36. Consequently, we recommend that the IASB add no application guidance to IAS 37 on how an entity determines an appropriate risk-free discount rate.

Application guidance on determining a risk-free rate
2. Do you agree with our recommendation in paragraph **Error! Reference source not found.**?

Whether to require cash flows to exclude the effect of non-performance risk

Background

37. There are two ways in which an entity can reduce the measure of an obligation to reflect the possibility that it will fail to settle the obligation. The entity can either:

    (a) *increase* the rate used to discount the settlement cash flows to their present value—by including a non-performance risk adjustment in the rate; or

    (b) *reduce* the estimates of the settlement cash flows—by including a non-performance outcome among the possible outcomes used to measure the expected (probability weighted-average) value of the cash flows.

Exposure Draft proposals

38. The amendments proposed in the Exposure Draft explicitly clarify that the measure of a provision should not reflect the possibility of non-performance via an adjustment to the discount rate. However, these amendments do not also explicitly clarify that the measure should similarly not reflect the possibility of non-performance via a reduction in the estimates of the cash flows required to settle the obligation.

Summary of feedback

39. Some respondents—along with four representatives at the July 2025 ASAF meeting—suggested stating explicitly that the estimates of the cash flows required to settle an obligation, like the discount rate, should not reflect non-performance risk:

    (a) *to eliminate possibility diversity in practice*: Four national standard-setters (in Africa, Asia-Oceania and Europe), three accountancy bodies (in Africa, Asia-Oceania and Europe), and two accounting firms said a lack of clarification in this respect could create ambiguity and, consequently, diversity in practice.

(b) *to close a potential loophole*. A national standard-setter (in Africa) said that, without such an explicit requirement, entities could reflect non-performance risk in the estimates of cash flows to achieve a similar outcome as reflecting the risk in the discount rate.

(c) *to reflect existing practice*. A preparer group (in Europe) observed that, in practice, entities generally exclude the effect of non-performance risk from both estimates of cash flows and discount rates.

Staff analysis

40. It could be argued that there is no need to clarify that the estimates of the future cash flows should ignore the possibility of non-performance by the entity:

(a) paragraph 36 of IAS 37 requires a provision to be measured at the best estimate of the expenditure *required to settle* the present obligation (emphasis added). This requirement would not allow the estimated expenditure to be reduced for the possibility of non-settlement.

(b) there is currently no practice of reflecting non-performance risk for a provision by reducing the estimates of the cash flows. The diversity that the IASB has identified and is seeking to eliminate is in the treatment of non-performance risk in determining discount rates, not in the treatment of estimates of the cash flows.

(c) the reasons for excluding the effect of non-performance risk from the cash flows are the same as those for it from the discount rate, ie the reasons set out in paragraphs BC75–BC80 of the Basis for Conclusions accompanying the Exposure Draft. So, it is implicit in the requirements proposed in the Exposure Draft, as explained in the Basis for Conclusions, that the effect of non-performance risk is excluded from the estimates of the future cash outflows.

41. However, it could alternatively be argued that:

(a) paragraph 37 of IAS 37 could be read as requiring the measure of a provision to reflect non-performance risk. It refers to the best estimate of a provision being the amount that the entity would rationally pay to settle the obligation or transfer it to a third party. Conceptually, that amount could reflect the possibility that the entity will fail to settle the obligation (as described in Table B2 of Appendix B to the Basis for Conclusions on the Exposure Draft).

(b) consequently, the proposed amendments—which state only that non-performance risk should not be reflected in *discount rates*—might imply that the probability of non-performance may or should be reflected in the *cash flows*. They could at least raise questions as to whether non-performance risk may be reflected in the cash flows, creating the uncertainty and potential loophole identified by some respondents.

42. Any ambiguity could be avoided by clarifying that the requirement to exclude the effect of non-performance risk from the measure of a provision applies in determining both the discount rate and the best estimate of the future cash flows. For example, a statement cold be added to the 'Best Estimate' section (paragraphs 36–41) of the measurement requirements in IAS 37, clarifying that:

> The best estimate of the expenditure required to settle the present obligation is not reduced to reflect the possibility that the entity will fail to settle the obligation (non-performance risk).

Staff recommendations and question for the IASB

43. For the reasons in paragraphs 0–42, we recommend that the IASB clarify in IAS 37 that the best estimate of the expenditure required to settle an obligation is not reduced to reflect non-performance risk.

Excluding non-performance risk from settlement cash flows
3. Do you agree with our recommendation in paragraphs 43?

Whether to specify the use of a real or nominal discount rate

IAS 37 requirements

44. An entity applying IAS 37 can measure a provision using either:

    (a) cash flows estimated at current prices and discounted at a real (not adjusted for inflation) discount rate; or

    (b) cash flows estimated at forecast future prices and discounted at a nominal (adjusted for inflation) discount rate.

45. IAS 37 does not specify which approach an entity is required to use. Example 2 in Section D of the *Guidance on implementing IAS 37* illustrates information disclosed by an entity that has measured a provision using cash flows estimated using current prices and a real discount rate.

Summary of feedback

46. Some respondents commented on the lack of any requirements in IAS 37 relating to the use of real or nominal discount rates. A few of these respondents—an accounting firm, a national standard-setter (in Europe) and two accounting professional bodies (in Europe)—noted that, although the alternative approaches described in paragraph 44 of this paper would produce the same measure of the provision at initial recognition, they could lead to different allocations of year-on-year changes in the carrying amount of a provision between:

(a) operating and financing categories in the statement of profit or loss; or

(b) financing expense and the related asset when applying IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

47. The respondents commenting provided various suggestions, including:

(a) specifying whether entities should use real or nominal rates—on the grounds that consistency is important (as we analyse in paragraphs 48–49 of this paper);

(b) requiring entities to disclose whether they have used real or nominal rates (paragraphs 50–51); or

(c) requiring entities to be consistent in their approach to inflation—to use (paragraphs 52–53):

(i) real rates to discount cash flows estimated at current prices; and

(ii) nominal rates to discount cash flows estimated at projected future prices.

Staff analysis

Specify the use of either real or nominal rates

48. Specifying whether an entity should use real or nominal discount rates could enhance the comparability of the amounts entities report in their financial statements.

49. However:

(a) the option to use either of the two approaches has always existed in practice and is not a consequence of the amendments proposed in the Exposure Draft.

(b) developing new requirements to standardise practice would expand the scope of the project, requiring further research, analysis and consultation with stakeholders.

(c) the suggestion to require one or other approach was made by only a few respondents and without any of these respondents describing major problems in practice, suggesting that the issue is not significant enough to warrant expanding the scope of the project to address it.

Require disclosure of whether real or nominal rates have been used

50. The IASB could decide to require an entity to disclose whether it has used real or nominal rates. This information could be material in some circumstances.

51. However, as discussed in Agenda Paper 22C *Discount rates—disclosure* for this meeting, the IASB proposes to require an entity to disclose (a) the discount rate (or rates) used in measuring a provision and (b) the approach used to determine the rate (or those rates). The information about that approach would include information about whether the discount rates include or exclude the effect of inflation, if that information is material.

Require consistency in approach

52. The IASB could decide to require consistency in an entity's approach for including or excluding the effect of inflation, namely that:

(a) cash flows estimated at *current prices* should be discounted using a *real* discount rate; and

(b) cash flows estimated at *future prices* should be discounted using a *nominal* discount rate.

53. Clearly, consistency is important. However, it could be argued that the need for consistency is already widely-understood and adhered to in practice—we have seen no evidence of entities taking an inconsistent approach. The illustration in Example 2 in Section D of the *Guidance on implementing IAS 37* is sufficient.

Staff recommendations and question for the IASB

54. For the reasons in paragraphs 49, 51 and 53, we recommend that the IASB add no requirements on the use of real or nominal discount rates in measuring a provision.

Requirements on the use of real or nominal discount rates
4. Do you agree with our recommendation in paragraph 545454?

Appendix—other minor comments

A1. This appendix lists other minor comments on discount rates, along with staff responses.

A2. References to IAS 37 and the Exposure Draft use shorthand labels:

(a) IAS37.X refers to paragraph X of IAS 37; and

(b) ED.X refers to paragraph X of the Exposure Draft.

A3. We will not raise any of these comments for discussion in the meeting unless asked to do so by an IASB member.

	Reference	Topic	Comment	Staff analysis and recommendation
(a)	IAS37.29	Joint and several liability	An accounting firm and two accounting professional bodies (in Africa and Asia-Oceania) described a fact pattern whereby an entity is jointly and severally liable for an obligation with other co-obligors. These respondents suggested clarifying whether such an entity should reflect the non-performance risk of the its co-obligors in measuring its obligation.	*We recommend no change.* Paragraph 47A of the Exposure Draft describes non-performance risk as 'the risk that the entity will not settle the obligation'. We think it is clear from this description that the reference to non-performance risk relates only to non-performance by the entity, not by parties other than the entity.

	Reference	Topic	Comment	Staff analysis and recommendation
(b)	ED.47	Current market assessment	Two preparers (in North America) suggested removing the word 'current' from subparagraph 47(a) of the Exposure Draft. This subparagraph would require that the discount rate reflect '*current* market assessments of the time value of money,….' The preparers say a requirement to use a current rate would result in volatility in what would generally be long-term obligations.	*We recommend no change.* The requirement to use a current market interest rate to discount a provision is an existing requirement in IAS 37—not a new requirement introduced by the amendments proposed in the ED—and consistent with the measurement objective in IAS 37 (a current value). We are not aware of widespread problems in practice resulting from the current value measurement objective in IAS 37. Reconsidering the requirement for a current rate is beyond the scope of this project.

	Reference	Topic	Comment	Staff analysis and recommendation
(c)	ED.47	Use of pre-tax rate	A national standard-setter and an accounting professional body suggest removing from IAS 37 the requirement to use a pre-tax discount rate. They say that removing this requirement would align with the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment*. These respondents suggest instead requiring entities to use internally consistent assumptions for both discount rates and expected cash flows.	*We recommend no change.* The requirement to use a pre-tax rate to discount a provision is an existing requirement in IAS 37—not a new requirement introduced by the amendments proposed in the ED. Reconsidering the requirement for a pre-tax rate is beyond the scope of this project.

	Reference	Topic	Comment	Staff analysis and recommendation
(d)	ED.47	Exception to the *Conceptual Framework*	Two national standard-setters (in Asia-Oceania and Europe) said they viewed excluding non-performance risk as inconsistent with paragraph 6.92 of the *Conceptual Framework*.[5]. They suggested stating that the proposal is an exception to that paragraph.	*We recommend no change*. Excluding non-performance risk from the discount rate for a provision is not an exception to the *Conceptual Framework*. The measurement objective in IAS 37 is similar to one of the measurement bases described in the *Conceptual Framework*—namely, fulfilment value. The *Conceptual Framework* states that a measure of fulfilment value takes account of non-performance risk. However, paragraph 6.92 clarifies that in some cases, modifying a measurement basis may provide information that is more relevant or less costly to produce. As an example of a modified measurement basis, it cites fulfilment value modified to exclude the effect of own-credit risk.

5 Paragraph 6.92 of the *Conceptual Framework* states that: 'Cash-flow-based measurement techniques can be used in applying a modified measurement basis, for example, fulfilment value modified to exclude the effect of the possibility that the entity may fail to fulfil a liability (own credit risk). Modifying measurement bases may sometimes result in information that is more relevant to the users of financial statements or that may be less costly to produce or to understand. However, modified measurement bases may also be more difficult for users of financial statements to understand.'

	Reference	Topic	Comment	Staff analysis and recommendation
(e)	ED.47A	Definition of non-performance risk	A national standard-setter (in Asia-Oceania) and an accounting firm said the term ‘non-performance risk’ is unclear. They suggested referring to the definition of ‘non-performance risk in Appendix A to IFRS 13 or the requirements in paragraphs 42–44 of IFRS 13. Alternatively, the national standard-setter suggested explaining in the basis for conclusions if and why the definition differs.	*We recommend no change.* Paragraph 47A of the Exposure Draft describes non-performance risk as ‘the risk that an entity will not settle the obligation’. IFRS 13 describes non-performance risk as ‘the risk that an entity will not fulfil an obligation’. The descriptions are similar, and ‘settle’ is more consistent than ‘fulfil’ with the terminology used elsewhere in IAS 37.