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## IASB<sup>®</sup> meeting

Date	<b>February 2026</b>
Project	<b>Financial Instruments with Characteristics of Equity (FICE)</b>
Topic	<b>Project update</b>
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## Purpose of this paper

1. This paper provides an update on the FICE project based on the project plan the International Accounting Standards Board (IASB) discussed in July 2024 ([Agenda Paper 5B](#)). This paper does not ask for any decisions from the IASB.
2. This paper is structured as follows:
  - (a) [project objectives](#);
  - (b) [progress update on the project plan](#);
  - (c) [plan for the remainder of 2026](#);
  - (d) [question for the IASB](#); and
  - (e) [Appendix A—Summary of the IASB's tentative decisions to date](#)

## Project objectives

3. As discussed in the [October 2019](#) IASB meeting, the overall objectives of this project are to:

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- (a) address known practice issues that arise when applying IAS 32 *Financial Instruments: Presentation* either by clarifying underlying principles or developing a new principle and accompanying rationale where needed.
  - (b) improve the information provided in the financial statements about the financial instruments issued by the entity.
  - (c) limit changes to classification outcomes to those in which sufficient evidence exists that such a change would provide more useful information to users of financial statements. Such changes to classification outcomes may result from reducing accounting diversity by clarifying the relevant classification requirements, which would necessarily mean that some entities would need to change their accounting classification of a specific type of instrument.
  - (d) clarify interactions between the requirements in IAS 32 and ensure the clarifying amendments do not create any internal inconsistencies in IAS 32.
  - (e) finalise the amendments in a timely manner. As the project progresses, the IASB could reassess whether a solution can be developed within a timeframe that would not significantly delay the finalisation of the other matters within the scope of the project. As a result of this reassessment, the IASB may ultimately decide that a particular issue should not be addressed as part of this project.
  - (f) develop an efficient transition approach that will consider implementation costs.

## Progress update on the project plan

4. The table below indicates the IASB's progress against each topic in the Exposure Draft *Financial Instruments with Characteristics of Equity* (the ED):

Topic	IASB Progress
Presentation of equity instruments	Tentative decisions made in <a href="#">June 2025</a>
Disclosure requirements that originated from proposals in the 2018 Discussion Paper <i>Financial Instruments with Characteristics of Equity</i> (including requirements for subsidiaries without public accountability)	Tentative decisions made in <a href="#">June 2025</a>
The effects of relevant laws or regulations	Tentative decisions made in <a href="#">July 2025</a>
Reclassification of financial liabilities and equity instruments	Tentative decisions made in <a href="#">September 2025</a>
Shareholder discretion	Tentative decisions made in <a href="#">September 2025</a>
Financial instruments settled in own equity instruments (including application of the 'fixed-for-fixed' condition)	Discussed in <a href="#">December 2025</a> and at this meeting
Financial instruments with contingent settlement provisions	To be redeliberated
Obligations to purchase own equity instruments (including put options on non-controlling interests)	To be redeliberated

Topic	IASB Progress
Other disclosure requirements (including those for subsidiaries without public accountability)	To be redeliberated
Transition	To be redeliberated

5. In May 2024 ([Agenda Paper 5](#)), the IASB discussed a high level summary of the feedback on the ED. While stakeholders generally supported the efforts made by the IASB to clarify the classification requirements and improve understandability and comparability for investors, the feedback on the proposals was largely mixed. In the staff's view, mixed feedback on the proposals in the ED was to be expected and disagreement with aspects of the proposals are consistent with the long-standing diversity in practice with regards to some matters. Any attempt to reduce such long-standing diversity would necessarily require some entities to change their current practice and this could result in changes to the classification of financial instruments as financial liabilities or equity.
6. In October 2024, the IASB started its redeliberations on the ED by analysing the feedback on, and potential refinements to, the proposed presentation and disclosure requirements. Investors had largely supported the proposals on both the presentation of equity instruments and the new disclosure requirements. At that meeting, the IASB asked the staff to further analyse potential presentation approaches and bring them back to the IASB before consulting with stakeholders.
7. The IASB continued its discussions of refinements to the proposed presentation and disclosure requirements in February 2025 and the staff discussed these potential changes with stakeholders, including consultative groups during March to May 2025.
8. At its June 2025 IASB meeting the IASB made tentative decisions on the proposed presentation and disclosure requirements after considering the additional stakeholder feedback. The IASB also discussed the timing of issuing the proposed amendments

related to presentation of equity instruments and disclosures, including for the purposes of aligning their effective date with that of IFRS 18 *Presentation and Disclosure in Financial Statements*. The IASB tentatively decided not to expedite the issuance of the amendments related to presentation and disclosures ahead of those related to classification and other disclosures.

9. Since July 2025, the IASB has been redeliberating the classification topics in the ED, considering the detailed feedback and analysis on each topic and discussing potential refinements in response to that feedback.
10. [Appendix A](#) to this paper provides a summary of the IASB's tentative decisions to date.

## Plan for the remainder of 2026

11. The IASB will continue redeliberation of the classification topics in the ED. Some of the remaining classification topics are more contentious than others and generated the most feedback from stakeholders.
12. The staff plans to present the detailed feedback and analysis on the remaining topics set out in paragraph 4 of this paper at future IASB meetings and will ask the IASB to make tentative decisions. In developing potential refinements to the proposals in the ED, we anticipate that further research and additional consultation with the IASB's consultative groups might be needed on some topics. In addition, staffing changes within the project team have and will continue to impact the project timing.
13. In light of the above, the staff have updated the project plan. We believe that the IASB's technical redeliberation of all the proposals in the ED could be completed by the end of 2026. The next step thereafter will be to ask the IASB for its permission to begin the balloting process of the package of amendments to IAS 32, IFRS 7 *Financial Instruments: Disclosures*, IFRS 18 and IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. The final amendments would then be issued in 2027.

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## Question for the IASB

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Do IASB members have any comments or questions on the project plan set out in this paper?

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## Appendix A—Summary of the IASB’s tentative decisions to date

### *Presentation and disclosures*

#### *Presentation of equity instruments*

- A1. In relation to IFRS 18, the IASB tentatively decided:
- (a) to require an entity to present separately, in the statement of profit or loss, the profit or loss attributable to owners of the parent, disaggregated between:
    - (i) ordinary shareholders;
    - (ii) participating rights holders; and
    - (iii) non-participating rights holders.
  - (b) to require an entity to categorise equity instruments based on the instrument holders’ contractual rights to profit or loss participation as at the reporting date. Therefore, if an equity instrument has both participating and non-participating rights, the entity would present the amounts for profit or loss participation in the line items for both participating and non-participating rights holders in the attribution section of the statement of profit or loss.
  - (c) to specify that the term ‘ordinary share’ has the same meaning as that used in paragraph 5 of IAS 33 *Earnings per Share* and the Glossary to the IFRS Accounting Standards—that is, an ordinary share is ‘an equity instrument that is subordinate to all other classes of equity instruments’.
  - (d) to define a ‘participating right’ as ‘the right to participate in profit or loss with ordinary shares, with the amount varying based on the entity’s profit or loss for the period’.
  - (e) to define a ‘non-participating right’ as ‘the right to contractually specified amounts (for example, fixed dividends or coupons) before the determination of the profit or loss that is allocated to ordinary shareholders and participating rights holders’.

- A2. The IASB tentatively decided to withdraw the proposed presentation requirements related to the statement of financial position and the statement of changes in equity as set out in the Exposure Draft, and instead:
- (a) to add requirements to IFRS 7 for an entity to disclose:
    - (i) information that enables users of financial statements to understand how the entity's equity instruments relate to the attribution of profit or loss in the statement of profit or loss and the amount of dividends recognised as distributions on these instruments during the reporting period; and
    - (ii) terms and conditions affecting the nature, amount, timing and uncertainty of cash flows of equity instruments with participating rights (those without debt-like features); and
  - (b) to add a requirement to IFRS 18 for an entity to disclose a reconciliation of cumulative undeclared dividends for equity instruments with non-participating rights, showing separately the amounts allocated for the reporting period and any amounts declared during the reporting period.

### *Disclosures*

- A3. In relation to IFRS 7, the IASB tentatively decided to retain the proposed disclosure requirements related to the objective, scope and general principles as set out in the Exposure Draft, subject to:
- (a) including 'puttable instruments and obligations arising on liquidation'—classified as equity instruments in accordance with paragraphs 16A–16D of IAS 32—in the scope of the disclosure requirements in IFRS 7 related to the nature of claims as at the reporting date and the terms and conditions;
  - (b) allowing cross-referencing by including the references to the proposed disclosure requirements in paragraph B6 of IFRS 7; and
  - (c) providing application guidance on how to group financial instruments by class.

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- A4. The IASB tentatively decided to retain the proposed disclosure requirements related to the nature of claims against an entity as set out in the Exposure Draft, subject to:
- (a) requiring that the disclosure be based on the nature of the claims at the reporting date instead of on liquidation; and
  - (b) clarifying that the disclosure requirement would apply to:
    - (i) non-derivative financial liabilities within the scope of the liquidity risk disclosures required by IFRS 7; and
    - (ii) non-derivative equity instruments issued by the entity.
- A5. The IASB tentatively decided to retain the proposed disclosure requirements related to terms and conditions as set out in the Exposure Draft, subject to:
- (a) not requiring an entity to disclose the amounts allocated on initial recognition to the liability and equity components of compound financial instruments;
  - (b) including the requirement to disclose the terms and conditions of compound financial instruments (where relevant) within the requirements in IFRS 7 to disclose terms and conditions of other financial instruments;
  - (c) excluding some financial liabilities with equity-like characteristics from the scope of the requirement to disclose the terms and conditions of financial instruments—for example, those with only subordination features and those that will be settled by delivering its own equity instruments; and
  - (d) combining the requirements to disclose the terms and conditions about an instrument's priority on liquidation with the requirements related to the nature of claims against an entity, and limiting the disclosure requirements to:
    - (i) the terms and conditions of financial instruments that could lead to a change in their nature; and
    - (ii) a description of any intra-group arrangements, such as guarantees, that might affect the nature of financial instruments.
- A6. The IASB tentatively decided to retain the proposed disclosure requirements related to maximum dilution of ordinary shares as set out in the Exposure Draft, subject to:

- (a) clarifying that off-balance-sheet commitments that could result in dilution are included in the scope of the requirements.
- (b) adding a requirement that an entity disclose the fact that the number of shares in share buy-back arrangements is unknown, if the maximum spend amount is capped.
- (c) adding examples of the terms and conditions an entity could disclose to enable users of financial statements to understand the maximum dilution of ordinary shares and the likelihood of maximum dilution occurring. Such examples include the exercise prices, information about whether instruments are anti-dilutive, the par value of convertible instruments, conversion ratios and descriptions of any contingent events that could affect the conversion ratios.

*Disclosures for subsidiaries without public accountability*

- A7. In relation to IFRS 19, the IASB tentatively decided to retain the proposed disclosure requirements for eligible subsidiaries related to the nature of claims against a subsidiary and the terms and conditions as set out in the Exposure Draft, subject to:
- (a) reflecting the related changes to the proposed disclosure requirements set out in paragraphs A4–A5 of this paper; and
  - (b) clarifying that compound financial instruments are within the scope of the proposed disclosure requirements related to terms and conditions (where relevant).
- A8. The IASB tentatively decided to add disclosure requirements to IFRS 19 related to the presentation of equity instruments. An eligible subsidiary would be required to disclose:
- (a) information to enable users of financial statements to understand how the subsidiary's equity instruments relate to the attribution of profit or loss to different types of equity holders in the statement of profit or loss and the amount of dividends recognised as distributions on these instruments during the reporting period;

- (b) information about terms and conditions affecting the nature, amount, timing and uncertainty of cash flows of equity instruments with participating rights (those without debt-like features); and
- (c) a reconciliation of cumulative undeclared amounts for equity instruments with non-participating rights, showing separately the amounts allocated for the reporting period and any amounts declared during the reporting period.

### **Classification**

#### *The effects of relevant laws or regulations*

- A9. The IASB tentatively decided to withdraw the requirements proposed in the Exposure Draft related to the effects of relevant laws or regulations on the classification of financial instruments.

#### *Reclassification of financial liabilities and equity instruments*

- A10. The IASB tentatively decided to proceed with the proposed requirements on the reclassification of financial liabilities and equity instruments set out in the Exposure Draft, subject to some targeted refinements:
- (a) to clarify that the reclassification requirements would apply to changes in the substance of a contractual arrangement that do not:
    - (i) create or extinguish contractual rights or obligations; or
    - (ii) modify the contractual terms;
  - (b) to further clarify that ‘circumstances external to the contractual arrangement’ are events that:
    - (i) arise after a financial instrument is classified; and
    - (ii) are significant to the entity’s operations, demonstrable to external parties and generally expected to occur infrequently; and

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- (c) to require an entity to reclassify a financial instrument containing an obligation to deliver its own equity instruments from financial liability to equity when the substance of the contractual arrangement changes because a contractual term stops being effective.

*Shareholder discretion*

- A11. The IASB tentatively decided to proceed with the proposed factors-based approach set out in the Exposure Draft for assessing at initial recognition whether shareholder decisions are treated as entity decisions, subject to minor drafting improvements.
- A12. The IASB also tentatively decided to clarify the principles underlying the proposed factors-based approach, namely, that an entity applies judgement when considering:
  - (a) the contractual terms of the financial instrument;
  - (b) the facts and circumstances applicable to the reporting entity;
  - (c) the capacity in which shareholders act when making decisions by applying the proposed factors and any other relevant factors;
  - (d) the weightings to be applied to each factor, taking into account that no factor is conclusive on its own; and
  - (e) the interaction of multiple shareholder decision-making rights and their effects on the classification of the financial instrument.