IFRS Foundation

Staff paper

Agenda reference: DP1

Due Process Oversight Committee

Date	**January 2026**
Project	**Amendments to the Fair Value Option (IAS 28)**
Topic	**Approval for a shortened comment period for an exposure draft**
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Purpose

1. At the December 2025 IASB meeting, the IASB decided to publish an Exposure Draft to propose amendments to the fair value option in IAS 28 *Investments in Associates and Joint Ventures.* The aim of the amendments is to clarify which specified entities are eligible to measure their investments in associates and joint ventures using the fair value option (instead of applying the equity method).

2. **The purpose of this paper is to seek the approval of the Due Process Oversight Committee (DPOC) for a shortened comment period for an exposure draft of proposed narrow-scope amendments to the fair value option in IAS 28.**

3. In this paper references to 'investor' and 'associate' should be read as also referring to 'joint venturer' and 'joint venture' in relation to investments in joint ventures.

Proposed narrow-scope amendments to IAS 28

4. Paragraphs 18–19 of IAS 28 permit an investor to elect to measure an investment in an associate or a joint venture (or a portion thereof) at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* if the investment (or a portion

thereof) is held by a venture capital organisation, mutual fund, unit trust and similar entities, including investment-linked insurance funds.

5. During the development of IFRS 18 *Presentation and Disclosure in Financial Statements*, and in response to the Exposure Draft *Equity Method of Accounting*, stakeholders, particularly those from the insurance industry, reported diversity in how the scope of investments to which the fair value option in IAS 28 applies is interpreted in practice. At its September 2025 meeting, the IASB decided not to add to the scope of its Equity Method project an application question on the qualifying criteria for using the fair value option in accordance with paragraphs 18–19 of IAS 28. Instead, the IASB decided to explore whether to clarify these paragraphs.[1]

6. Although the IASB carried out comprehensive research on the application of the fair value option in IAS 28 when developing IFRS 18, in October 2025 the IASB sent an information request to a selection of stakeholders to refresh its understanding of this matter and its related effects now that entities are in the process of implementing IFRS 18. The objective of the information request was to gather information to determine whether there is diversity in the application of paragraphs 18–19 of IAS 28 that could have a material effect on those entities affected.[2]

7. Most respondents to the information request said that they are aware of diversity in how stakeholders, particularly those in the insurance industry, interpret the scope of investments to which the fair value option in IAS 28 applies. Many of the respondents also said that they expect the diversity in how these requirements are interpreted to increase as more entities prepare to implement IFRS 18.

8. Some respondents observed that the current application of the fair value option in IAS 28 might be limited because the current presentation in profit or loss of investments in associates, is not materially different regardless of whether an entity applies the equity

[1] See Agenda Paper 21A to the IASB's May 2023 meeting and paragraphs 30–33 of Agenda Paper 13A to the IASB's September 2025 meeting for summaries of stakeholder feedback.

[2] See Agenda Paper 12A to the IASB's October 2025 meeting for a summary of the responses to the information request and the staff's analysis of those responses.

method or the fair value option. However, in their view the application of IFRS 18 might lead to a presentation mismatch within the statement of profit or loss.

9. IFRS 18 requires income from all investments accounted for using the equity method to be classified in the investing category, whereas investments in associates accounted for using the fair value option, are classified in the operating category. Some entities, particularly those in the insurance industry, consider particular investments in associates to relate to their main business activities and the related income and expenses to be part of their operating results. Therefore, to classify the income from these investments in associates in the operating category, more insurance entities are looking to make use of the fair value option for these investments in associates.

10. At its October 2025 meeting, the IASB noted, based on the feedback from its information request, that the diversity in practice described in paragraph 5 of this paper is expected to have a material effect on affected entities' financial statements. Therefore, the IASB decided to add a project to its work plan to explore narrow-scope amendments to clarify the scope of investments in associates and joint ventures that can be measured using the fair value option in IAS 28.

11. The IASB tentatively decided, at its December 2025 meeting, to propose amendments to these requirements to clarify which specified entities are eligible to elect the fair value option in IAS 28. The proposed amendments would clarify that entities that invest in associates or joint ventures as part of their main business activities are eligible to elect the fair value option.

12. The IASB observed that, although the fair value option in IAS 28 can be elected only on initial recognition of an investment in an associate, IFRS 18 includes transition provisions that permits an entity to elect the fair value option on initial application of IFRS 18. Therefore, any clarification or amendments to the fair value option would also need to be effective on or before the effective date of IFRS 18, which is 1 January 2027.

13. The IASB also considered that some jurisdictions will need at least six months to complete their endorsement of these amendments. Therefore, any standard-setting would need to be completed urgently to allow sufficient time for endorsement processes to be completed in time for the initial application of IFRS 18.

14. At its December 2025 meeting, the IASB considered making the fair value option available to all entities (an unrestricted fair value option) however, it concluded that such a project could not be completed in time for the effective date of IFRS 18.

15. Three IASB members indicated that they might dissent from the proposed amendments because an unrestricted fair value option would be a more conceptual and principle-based outcome than the current restriction that applies to only specified entities. They said that in their view, amendments to propose an unrestricted fair value option could be finalised in a timely manner. However, the IASB noted that the objective of the project was to clarify the current scope of the fair value option, and not to make significant changes to the way in which it is applied. Therefore, if it were to explore extending the fair value option to all entities, it would need more time to gather information about the effects of the change because such a change might also affect the overall application of IAS 28.

16. The IASB decided to take a proportionate approach to resolving the diversity in practice by developing amendments that focus on the cause of that diversity—that is, the lack of clarity about which specified entities are eligible to elect the fair value option in IAS 28. The IASB noted that if feedback on this project indicates a strong demand for an unrestricted fair value option as an alternative to equity method accounting, it will consider that in the context of its wider work plan priorities.

Recommended comment period

17. In accordance with paragraph 6.7 of the *Due Process Handbook*, the International Accounting Standards Board (IASB) normally allows a minimum period of 120 days for comment on an exposure draft. If the matter is narrow in scope and urgent the

IASB may set a comment period of less than 120 days (but no less than 30 days) after consulting and obtaining approval from the DPOC.

18. Agenda Paper 12B to the IASB's December 2025 meeting, sets out the due process considerations for publishing an exposure draft. For the reasons explained in paragraphs 12–13 of this paper, the IASB tentatively decided to allow a comment period of 60 days for the exposure draft, subject to approval by the DPOC. This should enable the IASB to finalise any amendments to IAS 28 by mid-2026, which would be six months before the effective date of IFRS 18, allowing jurisdictions time to complete their endorsement processes.

19. While a 60-day comment period is short, in the IASB's view it would still enable stakeholders to respond to the proposed amendments. The IASB considered the following in reaching its decision to allow a 60-day comment period:

    (a) the proposed amendments will be *narrow in scope*—they would be limited to amending paragraphs 18–19 of IAS 28 to clarify that the fair value option is available to a broader scope of investments held by specified entities than currently interpreted by some stakeholders. Therefore, entities that are already applying the fair value option will not be affected by the proposed amendments.

    (b) the proposed amendments are *urgent*—they will respond to stakeholders' concerns about the urgent need for clarity before the effective date of IFRS 18.

    (c) the fair value option is a voluntary election an entity makes on an asset-by-asset basis—entities can choose to apply it only to those investments that would result in more relevant information about the entity's operating results.

20. In balancing the need to provide stakeholders with sufficient time to analyse the proposed amendments, with the need for urgency as requested by stakeholders, the IASB is of the view that a comment period of 60 days for an exposure draft would be appropriate.

Question for the DPOC

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Does the DPOC give its approval for a shortened comment period of 60 days for an exposure draft of proposed narrow-scope amendments to paragraphs 18–19 of IAS 28?