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## Financial Instruments Consultative Group meeting

Date	<b>May 2026</b>
Project	<b>Statement of Cash Flows and Related Matters</b>
Topic	<b>Approach to Financial Institutions</b>
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## Purpose of this meeting

The purpose of this meeting is to obtain your initial input on the direction of the project for the statement of cash flows and related matters for financial institutions including:

1. reactions to the **initial research findings**;
2. initial views on whether the **expected benefits** of the tentative improvements to cash flow information apply to financial institutions; and
3. **other information** the IASB should consider in its approach to financial institutions

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## Structure of this paper

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## Questions for FICG members

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|----------|--|---|
| <b>1</b> | <b>Initial research findings</b><br>(slide 7)        | Do you have any questions, comments, or incremental observations on the initial research findings?  |
| <hr/>    |  |   |
| <b>2</b> | <b>Improvements being explored</b><br>(slides 10–15) | <p>In your experience, are there aspects of the tentative decisions in slides 10–15 for which:</p> <ul style="list-style-type: none"><li>➤ the expected benefits might also apply to financial institutions?</li><li>➤ there might be application challenges specific to financial institutions?</li></ul> <p>Do you have any suggestions for adjustments that could be made to the tentative decisions in slides 10–15 to mitigate any challenges you have identified or enhance the benefits to financial institutions?</p> |
| <hr/>    |  |   |
| <b>3</b> | <b>Other information</b><br>(slides 10–15)           | Based on the approach to financial institutions, do you have any advice for sources of information to help the IASB evaluate costs and benefits of the topics in slides 10–15 (for example, specific research reports or industry groups we should speak to)?   |

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## Introduction

- The IASB started a project on Statement of Cash Flows and Related Matters based on feedback from the Third Agenda Consultation
- The IASB began the project with initial research to gather evidence on the nature and extent of perceived deficiencies in current reporting and the likely benefits of developing new financial reporting requirements
- Research included meetings with the IASB's consultative groups and individual stakeholders and review of companies' financial statements and academic studies
- In May 2025, the IASB decided on the topics it will further explore in the project including consideration of the statement of cash flows for financial institutions

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## Financial institutions specific research

In addition to research done more widely on the statement of cash flows, the IASB conducted the following activities related specifically to financial institutions:

- Discussions with individual and groups of investors and preparers of financial statements of financial institutions
- Review of publications by national standard setters, including:
  - European Financial Reporting Advisory Group (EFRAG) Discussion Paper ‘The statement of Cash Flows: Issues for Financial Institutions’
  - Canadian Accounting Standards Board ‘Statement of Cash Flows Research Findings’
- Review of sample of financial statements of financial institutions
- Academic literature review

The Financial Accounting Standards Board (FASB) decided in April 2026 to remove from its technical agenda a project on targeted improvements to the statement of cash flows for financial institutions. The staff will further research whether relevant disclosures could potentially replace the statement of cash flows for specific entities

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## Results of initial research findings

### **SCF has limited usefulness for financial institutions**

Most said the statement of cash flows has limited usefulness and useful information is mostly related to financing activities. Investors focussed on capital, constraints and selected data points (for example: dividends, capital raised, buybacks, options exercised), while preparers manage through liquidity, solvency and regulatory measures instead

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### **Demand to limit any change...**

Because it has limited usefulness, some suggested that if the IASB considers making improvements to the statement of cash flows for financial institutions, those changes should reflect only significant improvements that investors find highly informative

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### **...or reduce costs through exemptions**

Some said that because of the limited usefulness of the statement of cash flows for financial institutions the IASB might consider exempting financial institutions from some or all the requirements of IAS 7

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### **Low demand for alternative statements**

A few suggested replacing the statement of cash flows with an alternative such as including information required by regulatory reporting in financial statements

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### **A few suggested areas usefulness could be enhanced**

A few suggested changes that might enhance the usefulness of the statement of cash flows for financial institutions. For example, classifying more items in the operating category; or providing supplemental disclosure on specific items (for example: capital flows, collection and uses of cash, interest and loan originations and payments)

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## IASB approach to financial institutions

Based on the feedback in the initial research the IASB decided there was not sufficient demand to reconsider the form of the statement of cash flows for financial institutions

However, because there might be useful enhancements arising from the work on other areas of the project the IASB decided to approach the statement of cash flows for financial institutions by considering:

- improvements to the statement of cash flows generally before deciding how changes might apply to financial institutions (the IASB will consider a specific cost-benefit analysis to making any changes);
- any possible exemptions from the requirements; and
- presentation or supplementary disclosure requirements that might enhance the usefulness of information about cash flows

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## Topics to explore before considering financial institutions

Based on the initial research identifying three topics as clear investor priorities, the IASB decided to explore potential ways to improve:

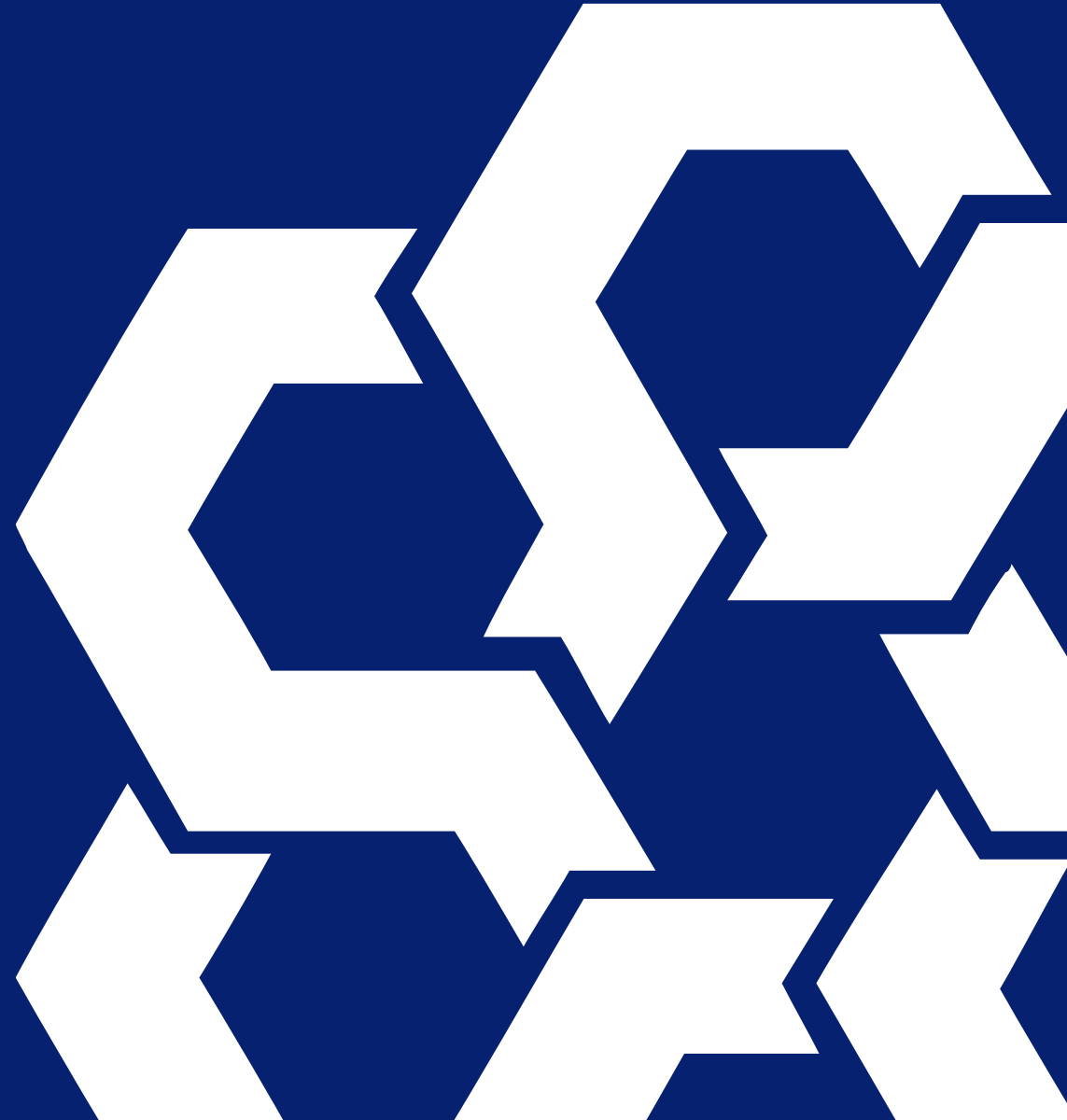
- the **disaggregation** of cash flow information in financial statements;
- the reporting of information about **non-cash transactions**; and
- the transparency of information about **cash flow measures not specified in IFRS Accounting Standards**

In response to initial research findings indicating diversity in application—which might not be apparent to investors and was a priority of other stakeholders—the IASB decided to explore potential ways to improve:

- the consistent application of requirements to **classify cash flows** as operating, investing, or financing; and
- the consistent application of the **definition of cash equivalents**.

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Improvements being  
explored in the project



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## Disaggregation

The IASB has tentatively decided to explore **strengthening the link** between the statement of cash flows and information **presented or disclosed in other parts of the financial statements**, this might include requirements to improve:

- consistency in labelling of related items presented in the statement of cash flows or disclosed in related notes (for example, related disclosures in IFRS 7)
- disclosure of how line items in the statement of cash flows relate to items in the statement of financial position
- cross-referencing of cash flow information between notes or primary financial statements
- disaggregation of specific items when material (EFRAG Discussion Paper identified concerns that disaggregation required by IAS 7 is not sufficiently granular)

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## Non-cash information

The IASB has tentatively decided to develop requirements to specify the **content and location** of information an entity discloses about **non-cash transactions and about non-cash changes in specified assets and liabilities**

Feedback suggests investors might benefit from:

- greater accessibility to information about non-cash transactions disclosed in single location
- disaggregation of specific non-cash information in individual note disclosures might provide better contextual information
- potential to compare cash and economically similar non-cash transactions

Preparers have identified concerns about:

- potential for duplication of information
- detailed disclosure resulting in higher preparation and audit cost
- relevance of comparing cash and economically similar non-cash transactions

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## Management-defined performance measures

The IASB has tentatively decided to **extend the management-defined performance** measure requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* to also **include cash flow measures**, which is expected to:

- provide investors with consistent set of disclosure requirements in the financial statements providing transparency over adjusted cash flow measures
- align the requirements for adjusted measures of cash flows with requirements for adjusted measures of profit or loss

For entities that do not communicate adjusted measures in public communications additional disclosures would not be required

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## Consistent application of requirements for classification

The IASB has tentatively decided to explore developing requirements to improve the consistent application of requirements to classify cash flows as operating, investing, and financing, including exploring requirements:

- to classify acquisition-related payments in a business combination;
- to classify and present cash flows from derivatives; and
- to classify and present receipts of government grants

The requirements are expected to improve consistency in classification of transactions which lack specific guidance and for which many stakeholders identified diversity

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## Consistent application of requirements of definition of ‘cash equivalents’

The IASB tentatively decided to explore requirements to improve the consistent application of the definition of ‘cash equivalents’, including clarifying that a cash equivalent be held for the purpose of meeting short term cash commitments rather than for investment purposes

The IASB is exploring alternatives to clarifying reference in IAS 7 to an investment with a maturity of three months or less

## Initial assessment of applicability to financial institutions

Areas of improvement	IASB Technical Staff preliminary considerations of applicability to relevant cash flow information
Disaggregation	<ul style="list-style-type: none"> <li>Better links between cash flow and other information would be expected to enhance usefulness, particularly where there are specific disclosure requirements (e.g. IFRS 7, IFRS 9, IFRS 17)</li> </ul>
Non-cash transactions	<ul style="list-style-type: none"> <li>Single location for information and disaggregation in context of relevant notes generally expected to enhance usefulness</li> <li>However, need to carefully consider specific data points that would add value for financial institution users, in the light of cost concerns and potential for duplication identified by preparers</li> </ul>
Management-defined performance measures	<ul style="list-style-type: none"> <li>When adjusted cash measures are used requirements expected to provide transparency for all entities</li> </ul>
Consistent application of classification requirements	<ul style="list-style-type: none"> <li>Would expect additional guidance to provide clarity for all entities including financial institutions</li> </ul>
Consistent application of requirements of definition of 'cash equivalents'	<ul style="list-style-type: none"> <li>Would expect additional guidance to provide clarity for all entities including financial institutions</li> </ul>

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