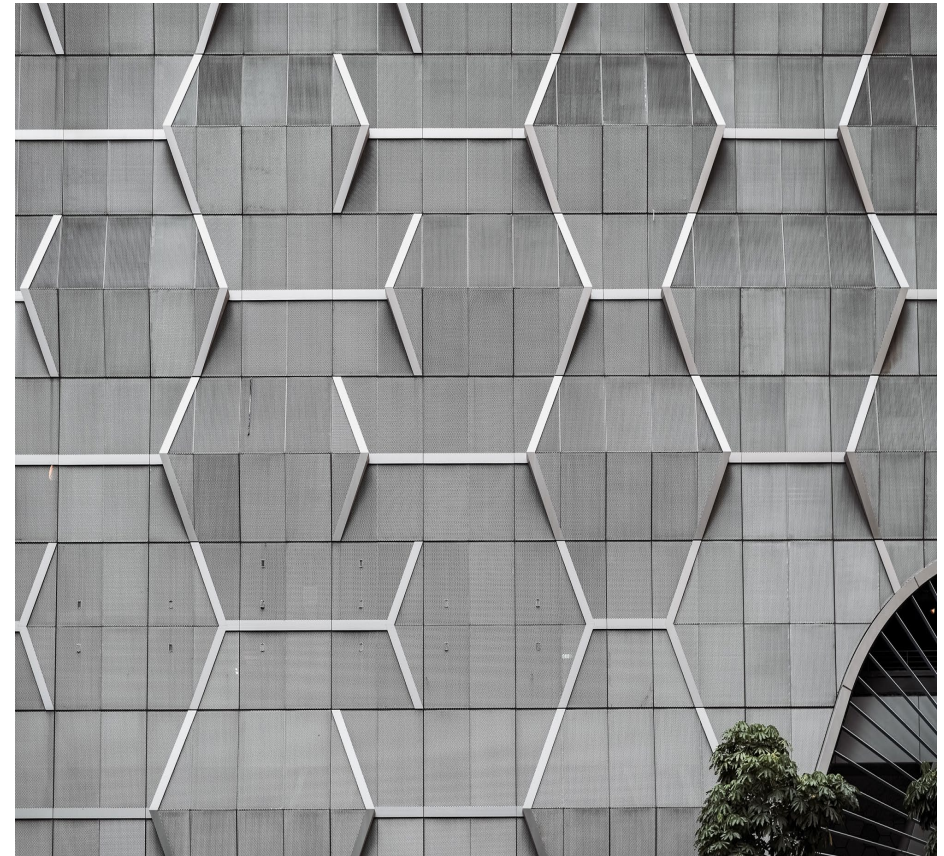

Emerging Economies Group meeting

Date	November 2026
Project	Amortised Cost Measurement
Topic	Overview of tentative decisions and next steps
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Purpose of this session

The purpose of this session is to provide EEG members with an overview of the IASB's tentative decisions on the Amortised Cost Measurement project and discuss next steps



Project overview

Objectives



- to **address challenges** with applying amortised cost measurement requirements in IFRS 9 *Financial Instruments*
- to **improve information** provided to **users** of financial statements about financial instruments measured at amortised cost



Project topics

Key topics for IASB discussion

EIR—initial recognition

Discussion: September 2025

Outcome:

- No standard-setting

EIR—subsequent changes

Discussion: April 2026

Outcome:

- Consideration for time value of money and credit risk adjust the EIR

(see slide 5)

Modification of financial instruments

Discussion: February 2026, June 2026 & September 2026

Outcome:

- change in contractual terms affecting nature, timing, amounts or uncertainty of contractual cash flows
- holistic analysis of modification

(see slides 6–10)

Contingent settlement provisions

Discussion: Oct 2026

Outcome: TBD

(see slide 11)

Interaction between modification, derecognition and impairment

Discussion: Q4 2026

Outcome: TBD

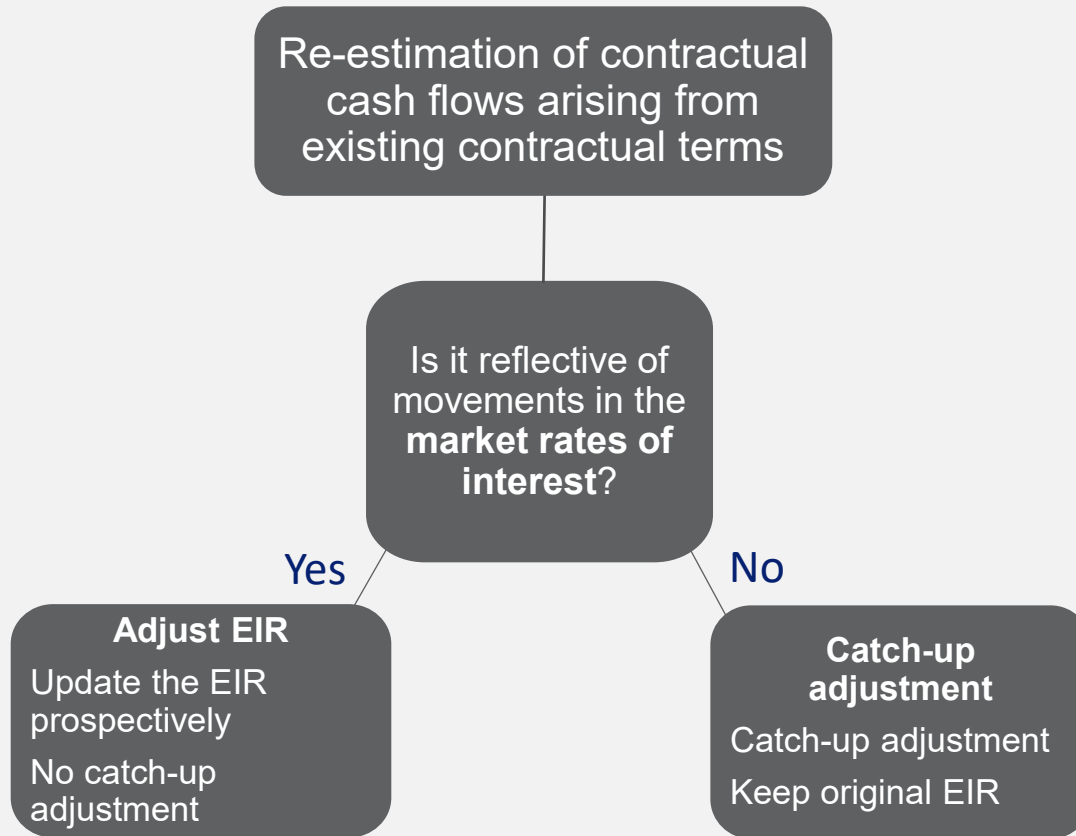
Other matters

Discussion: Q1 2027

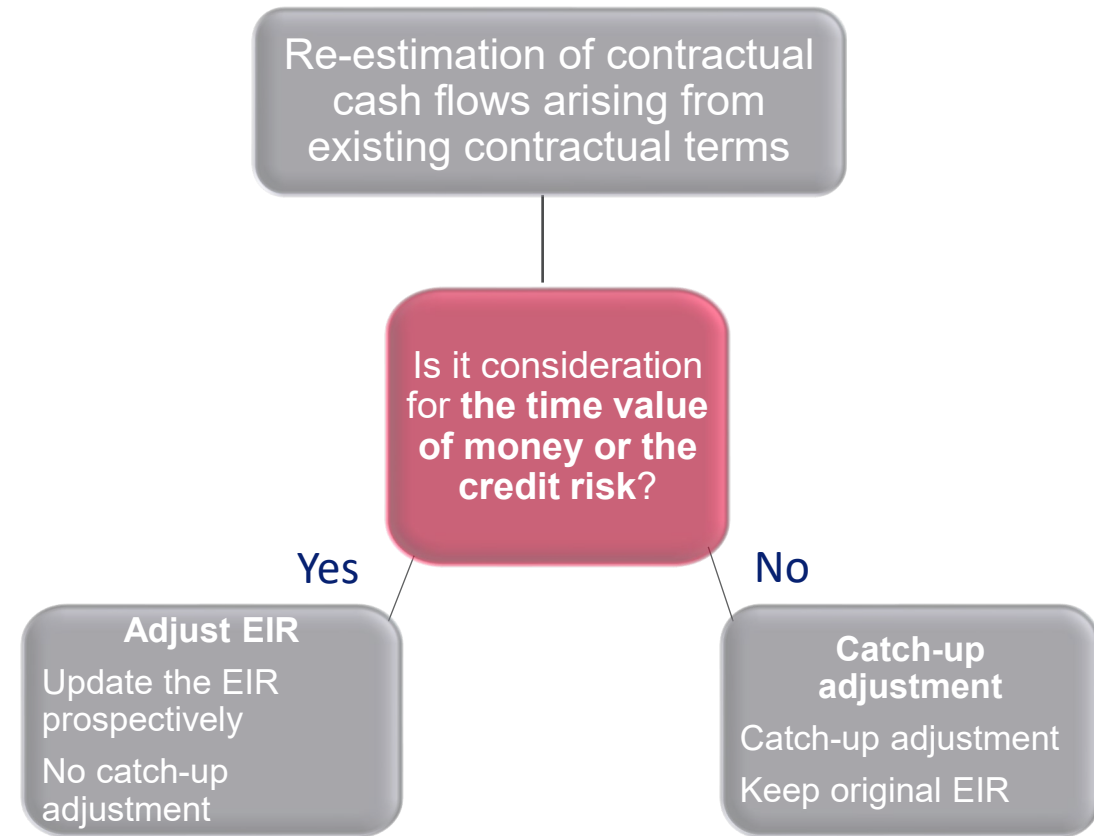
Outcome: TBD

Re-estimation of contractual cash flows

Current IFRS 9 requirements



Tentative decision



What constitutes a modification?

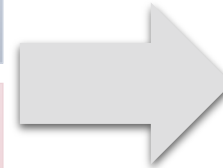
Current IFRS 9 requirements

Financial liabilities

- Paragraph 3.3.2 of IFRS 9—focuses on **modification of the terms** of an existing liability or a part of it

Financial assets

- Paragraph 3.2.3 of IFRS 9—focuses on **contractual rights** when an entity derecognises a financial asset
- Paragraph 5.4.3 of IFRS 9—focuses on **modification of contractual cash flows**



Tentative decision

Financial assets and liabilities

A modification of a financial asset or a financial liability is a change in contractual terms which **changes the nature, timing, amounts or uncertainty** of contractual cash flows

Approach for assessing modifications

Determine whether a modification is substantial...

Is the **nature, timing, amounts, or uncertainty** of the cash flows under the original contractual terms **substantially different** from those under the modified terms?

...considering qualitative and quantitative factors...

Assess a modification using a **holistic analysis** of changes in cash flows, considering qualitative and quantitative factors (see slide 8)

... account for a substantial modification as derecognition

- Derecognise the **existing** instrument
- Recognise modified cash flows as a **'new'** instrument
- Recognise a derecognition **gain or loss** in P/L

Same principle-based approach, applicable to both financial assets and financial liabilities

Approach for assessing modifications (cont.)

- The IASB tentatively decided that assessing whether a modification of a financial instrument is substantial is based on a **holistic analysis** of the changes in the contractual cash flows, considering qualitative and quantitative factors.
- The ‘10 per cent test’ (see paragraph B3.3.6 of IFRS 9) could supplement the analysis but cannot be the decisive factor in isolation.
- The factors an entity considers in determining whether a modification is substantial **include, but are not limited to:**



a change in the **currency** of principal or interest, would suggest the modification is substantial



a change in the **borrower** would suggest the modification is substantial, unless the change is between entities under common control



a change in the **cash flow characteristics** that alters the assessment of solely payments of principal and interest for a financial asset; or whether an embedded derivative is separated from the host for a liability. Such a change would suggest the modification is substantial.



the reason for the modification. A **commercial renegotiation** to reset the financial instrument to current market terms would suggest the modification is substantial. Conversely, a modification attributable to the borrower's financial difficulty would suggest the modification is not substantial.

The relevance and weight of a factor would depend on the instrument's type and characteristics and general economic conditions, based on reasonable and supportable information available without undue cost or effort.

Application of the 10 per cent test to specific instruments

The IASB tentatively decided to clarify that an entity applying the 10 per cent test to a financial asset or financial liability:



considers all contractual terms of the financial instrument.



determines the contractual cash flows of a financial instrument that **includes an option or contingent term** on the basis that the option is exercised—or that the contingent event occurs—at the **earliest possible date specified in the contract**. The probability or estimated timing of the option being exercised, or the contingent event occurring, has no effect on determining those cash flows



The IASB also tentatively decided to clarify that an entity applying the 10 per cent test to a financial asset or financial liability that is a **revolving credit facility** determines the facility's contractual cash flows based on the contractual terms of the facility as a whole. In particular, the entity determines the contractual cash flows based on the **maximum credit capacity** over the remaining term of the facility, under the new and original contractual terms.

Other matters relating modification of financial instruments

Accounting for the effective interest rate of a modified financial instrument

- The IASB discussed stakeholders' questions about accounting for the effective interest rate of a modified financial instrument when the modification does not result in derecognition.
- The IASB tentatively decided to propose amending IFRS 9 to require that, when a modification of a financial instrument does not result in derecognition, an entity adjusts the effective interest rate to reflect a change in the contractual interest rate that provides **consideration for the time value of money or for credit risk**.

Accounting for costs or fees on modification of a financial instrument

The IASB also tentatively decided to clarify that:

- for the purposes of an entity applying paragraphs 5.4.3 and B3.3.6A of IFRS 9, the term 'costs or fees incurred' includes:
 - all **fees and points paid or received** between parties to the contract that are directly attributable to the modification of the financial instrument, including fees paid or received by either the borrower or the lender on the other's behalf; and
 - **transaction costs and all other premiums or discounts** that are directly attributable to the modification.
- if the modification of a financial asset or financial liability does not result in derecognition, an entity continues to recognise any unamortised costs or fees at the time of the modification as part of the carrying amount of the modified instrument, and are amortised over its remaining term.

Next steps

- In April 2026, the IASB decided that stakeholder feedback on measuring financial liabilities arising from contingent settlement provisions might be better addressed in the Amortised Cost Measurement project rather than in the Financial Instruments with Characteristics of Equity (FICE) project.
- Since then, the IASB staff have conducted research and analysis on potential approaches for measuring a financial liability arising from contingent settlement provisions.
- The staff's preliminary view is that an approach that would require measuring such a liability at an **amount not less than its transaction price** would:
 - address the challenges identified in applying the proposed amendment in the FICE Exposure Draft; and
 - achieve a more appropriate balance between costs for preparers and benefits from the resulting information for users of financial statements.
- At its October 2026 meeting, the IASB will discuss how to measure financial liabilities arising from contingent settlement provisions.

Question for EEG members

Overview of tentative decisions

Do you have any questions or comments on the topics discussed by the IASB to date?

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