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Staff paper

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Accounting Standards Advisory Forum

Date	**October 2026**
Project	**Statement of Cash Flows and Related Matters**
Topic	**Financial Institutions, Scope**
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Purpose of the session

- Since the July 2026 ASAF meeting, the IASB technical staff have began developing approaches for scoping an exemption for financial institutions from some or all of the requirements for presenting a statement of cash flows.
- The staff's analysis is at an early stage. The purpose of this session is to obtain input that will help refine the staff's approach.
- The IASB technical staff will provide ASAF members with an overview of the staff's initial thinking and seek ASAF members' views on:
  - which approach to use to determine the financial institutions that should qualify for an exemption;
  - which mechanism to use to define the scope of an exemption; and
  - the risks presented by conglomerates and how to address them.
- The staff will use the input received to develop possible approaches for scoping an exemption for future discussion with the IASB.

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Summary of questions for ASAF members

Determining who should qualify for an exemption (slides 11–20)	1. Have you identified any reasons, in addition to those listed in slides 15–16, why the statement of cash flows of banks and insurers is less useful compared to other non-financial entities? 2. Do you agree with determining which financial institutions should qualify for an exemption based on their business activities, and not on whether they are regulated? (see slides 17–19)
Mechanisms for defining the scope of an exemption (slides 21–31)	3. Do you have any comments on the approaches to defining the scope discussed in slides 22–30? For example: • suggestions of any other requirements or terms in IFRS Standards, or other frameworks and standards, that the IASB could use to define the scope? • concerns about any of the other frameworks or standards discussed in slides 27–28?
Risks presented by conglomerates (slides 32–37)	4. Have you identified any risks, in addition to those described in slides 35–36, presented by conglomerates that we need to consider when defining the scope of any exemption? • Do you have any suggestions about how to manage the risks you have identified?

Background

Initial approach for financial institutions

Non-Financial Institutions

Areas of improvement:

- Disaggregation
- Non-cash transactions
- Management-defined performance measures
- Classification requirements
- Definition of 'cash equivalents'

Changes

Financial Institutions

STEP 1

(a) Consider how changes might apply to financial institutions

STEP 2

(b) Consider exemptions

STEP 3

(c) Consider presentation or supplementary disclosure requirements

Feedback on initial approach

STEP 1

(a) Consider how changes might apply to financial institutions

STEP 2

(b) Consider exemptions

STEP 3

(c) Consider presentation or supplementary disclosure requirements

Feedback from outreach and discussions with advisory bodies and consultative groups

Changes for non-financial institutions are unlikely to improve the statement of cash flows for financial institutions

Strong feedback that the statement of cash flows has limited use and suggestions for exemptions

Concerns about how to define the scope of any exemption and how to ensure no useful cash flow information is lost

Mixed views on supplementary disclosure requirements based on regulatory-type information and little appetite for a replacement statement

Discussion at July 2026 IASB meeting

In July 2026, the IASB discussed the plan for future work on the statement of cash flows for financial institutions. The plan included prioritising research and stakeholder engagement on:

a. defining the **scope** of entities that would apply any potential changes to IAS 7 *Statement of Cash Flows* arising from this work; and

b. considering possible **exemptions** for financial institutions from some or all of the requirements for presenting a statement of cash flows.

Progress since July 2026 IASB meeting

Priority area	Work undertaken	Next steps
Scope	Discussion of initial ideas with advisory bodies and consultative groups (including this meeting)	IASB to discuss scope during Q4, 2026
Exemption	Survey with investors and outreach with prudential regulators to understand what cash flow information is used	IASB to discuss results during Q4, 2026

Discussions on scope to date

July 2026
ASAF meeting

- Scope identified as a key concern if the IASB decide to introduce an exemption
- Suggestions to:
  - take a staged, multi-factor approach
  - focus on financial institutions' unique characteristics
- Support for activity-based approach

July 2026
IASB meeting

- Scope identified as priority area if the IASB decide to introduce an exemption
- Suggestions to:
  - take a staged, multi-factor approach
  - start with a narrowly defined group of entities
- Focus on identifying **who** should be exempt, and **why** they are different
- The scope should be:
  - stable
  - accommodate group structures

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A. Determining who should qualify for an exemption

Types of financial institutions

Retail and commercial banks	Insurance and reinsurance companies
Investment banks	Mortgage companies
Asset management/ brokerage	Investment companies

? Which financial institutions should be exempt from some or all of the requirements for presenting a statement of cash flows

Approach for determining who should qualify for an exemption

Identify those financial institutions for which the statement of cash flows provides limited useful information → Analyse **why** the statement of cash flows provides limited useful information → Use these reasons to help describe the financial institutions that should qualify for an exemption

Approach for determining who should qualify for an exemption

To date, clear feedback has been received on the limited usefulness of the statement of cash flows for:

- Retail and commercial banks
- Insurance and reinsurance companies

The following slides analyses banks and insurers using the approach on slide 13.

Our survey with investors (see slide 9) should provide feedback on the usefulness of the statement of cash flows of other financial institutions.

Based on this information, we plan to undertake a similar analysis using the approach on slide 13.

Why does the statement of cash flows provide limited useful information?

Banks

- Provides limited information about performance because:
  - Operating activities do not distinguish between the payment and receipt of deposits and loans, and the payment and receipt of interest.
  - Large cash receipts and payments can be caused by customers' actions, which have no direct link to interest revenue or expenses.

Because of business activities

- Users place less emphasis on cash levels because prudential regulation requires banks to maintain and monitor liquidity.
- Users place less emphasis on cash flows because dividend-paying capacity is often determined by regulatory capital requirements rather than cash availability.

Because of existence of regulation

Why does the statement of cash flows provide limited useful information?

Insurers

- Provides limited information about performance because:
  - Cash inflows and outflows associated with insurance contracts will often take place in different periods.
  - The occurrence of a loss event results in a cash outflow. Because these are uncertain, the nature of an entity's insurance liabilities are used to predict future earnings, not past cash flows.

Because of business activities

- Users place less emphasis on cash levels because prudential regulation requires insurers to maintain and monitor liquidity.
- Users place less emphasis on cash flows because dividend-paying capacity is often determined by regulatory capital requirements rather than cash availability.

Because of existence of regulation

Analysis of reasons why the statement of cash flows provides limited useful information

Common aspect: **existence of regulation**

Regulation makes monitoring the cash flows of banks and insurers less relevant, but it is not the reason that the statement of cash flow provides little information about their performance.

If regulation did not exist, then it is unlikely that the statement of cash flows of these entities would be more useful.

A more useful approach is to consider **why** these entities are regulated.

Why are insurers and banks regulated?

Banks	• Take cash that deposit-holders have a right to and exposing it to risk • Regulation is mitigating against the risk of a run on deposits	Because of business activities
Insurers	• Take cash from policyholders and promising payment in specified circumstances • Regulation is mitigating against the consequences of the entity being unable to meet its promises to policyholders	

Potential way forward

Why the statement of cash flows provides limited information about the performance of banks and insurers?

Because of business activities

Why are banks and insurers regulated?

Potential way forward

Analysis points to describing the financial institutions that qualify for an exemption by focusing on their business activities

Questions for ASAF members

1. Have you identified any reasons, in addition to those listed in slides 15–16, why the statement of cash flows of banks and insurers is less useful compared to other non-financial entities?
2. Do you agree with determining which financial institutions should qualify for an exemption based on their business activities, and not on whether they are regulated? (see slides 17–19)

B. Mechanisms for defining the scope of an exemption

Mechanisms for defining the scope of an exemption

- Use existing requirements and terms in IFRS Accounting Standards
- Refer to externally developed requirements and terms
- Develop new requirements and terms

Use existing requirements and terms in IFRS Accounting Standards

Use concepts, terminology and requirements that appear elsewhere in IFRS Accounting Standards

Examples—see slides 24–25

Advantages

- Builds on understanding and knowledge of requirements and terms that are already being applied, so efficient for preparers
- Builds on previous work used to develop requirements and terms, so efficient use of IASB's resources
- The IASB has authority to amend the requirements and terms in IFRS Accounting Standards, so can assess the effect of doing so on any exemption

Disadvantages

- Adaptions are likely to be necessary as the requirements and terms were developed for different purposes (see slide 26)
- Adapting existing requirements and terms could affect how entities currently apply them

Examples of existing requirements and terms in IFRS Accounting Standards

<table>
<tr><th>IFRS Accounting Standard</th><th>Requirement or definition</th></tr>
<tr><td rowspan="2">IAS 7</td><td>Definition of operating activities:
The principal revenue producing activities of an entity and other activities that are not investing or financing activities.</td></tr>
<tr><td>Paragraph 24:
Cash flows arising from each of the following activities of a financial institution ... :
a) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;
b) the placement of deposits with and withdrawal of deposits from other financial institutions; and
c) cash advances and loans made to customers and the repayment of those advances and loans.</td></tr>
<tr><td>IFRS 17</td><td>Definition of insurance contract, insurance contract services and reinsurance contract</td></tr>
</table>

Examples of existing requirements and terms in IFRS Accounting Standards

IFRS Accounting Standard	Requirement or definition
IFRS 18	Paragraph 49: *... an entity shall assess whether it has a specified main business activity... of:* *a) investing in particular types of assets ... ; or* *b) providing financing to customers.*
	Paragraph 24: Exception that requires an entity to present all assets and liabilities in order of liquidity in the statement of financial position when this provides a more useful structured summary.
IFRS 19	Paragraph 11: *An entity has public accountability if:* *a) ...* *b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).*

Potential adaptions to existing requirements and terms in IFRS Accounting Standards

Why existing requirement or term is unsuitable	Potential adaptation to ...
Activity is not unique to banks or insurers For example: • Issuing insurance contracts as defined in IFRS 17 • *'holding assets in a fiduciary capacity'* in IFRS 19	... only include entities for which the statement of cash flows provides limited useful information
Term or requirement could include conglomerates For example: • '*specified main business activities*' in IFRS 18	... only include conglomerates where the extent of banking and insurance activities means the statement of cash flows provides limited useful information

Helpful to describe activity, but not how much of it

Refer to externally developed requirements and terms

Using terminology and requirements from standards, regulation and frameworks developed by other bodies

Examples—see slide 28:

- Global Industry Classification Standard (GICS®) developed by the MSCI and S&P Dow Jones Indices
- Basel Framework developed by the Basel Committee on Banking Supervision

Advantages

- Builds on understanding and knowledge of requirements and terms that are already being applied, so efficient for preparers
- Builds on the work of others to develop requirements and terms, so efficient use of IASB's resources

Disadvantages

- Developed for a purpose that is different to general purpose financial reporting
- The requirements and terms can be amended by a body external to the IASB
- Requirements and terms might not be used in some jurisdictions or at a different entity-level compared to IFRS Accounting Standards

Examples of externally developed standards and frameworks

Standard/ Framework	Description
GICS®	Framework that classifies companies that have issued equity securities into an asset class based on their industry Classifications based on the activities that generate more than 60% of the company's' total revenues. Quantitative thresholds used to classify conglomerates Developed and maintained by MSCI and S&P Dow Jones, who award the classifications
Basel III	Framework used for prudential regulation Scope of entities focused on banking groups (described as 'groups that engage predominantly in banking activities') The framework establishes the intended scope of the framework and each jurisdiction determines the population of entities that are subject to it (that is, the scope is defined at a local level)

Develop new requirements and terms

Develop new requirements and terms for the purpose of defining the scope

Advantages

- Can be developed specifically for the intended objective of the exemption
- Avoids any potential restrictions and sensitivities associated with using existing requirements and terms that entities are currently applying

Disadvantages

- Adds another set of requirements to IFRS Standards for entities to understand and apply
- Greater resources and time needed to develop and test, as greater uncertainty about which the entities the exemption will capture

Potential way forward

It is unlikely that a single requirement or term will be able to define the scope of any exemption. Therefore, a mix of approaches will be needed.

Our analysis suggests it would be better to use requirements and terms from IFRS Accounting Standards, instead of externally developed requirements or terms from other frameworks and standards. However, we think we can learn from the approaches used in other frameworks and standards.

Potential way forward

Consider a multi-factor approach to defining scope, using requirements and terms from IFRS Accounting Standards where possible

Question for ASAF members

3. Do you have any comments on the approaches to defining the scope discussed in slides 22–30? For example:
   - suggestions of any other requirements or terms in IFRS Standards, or other frameworks and standards, that the IASB could use to define the scope?
   - concerns about any of the other frameworks or standards discussed in slides 27–28?

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C. Risks presented by conglomerates

Why conglomerates present risks

Banking and insurance services are often provided alongside **other financial services** and not confined to specialist entities

Non-financial entities can also provide services similar to banks and insurers (for example, providing finance to customers)

Group structures of financial institutions are often **highly complex** because they must comply with different legal, regulatory and governance requirements

Group structures of financial institutions can **often change**, as merger and acquisitions are common within the financial services industry

Background—Requirements applicable to conglomerates

For groups, cash flow information is typically not provided below the consolidated level because:

IFRS 8	Entities are not required to report cash flow information for each reportable segment
IFRS 12	Entities are only required to disclose summarised cash flows for each subsidiary that has non-controlling interests that are material to the reporting entity

Therefore, separate cash flow information is generally available only when specifically required by the group's structure or it is provided voluntarily.

Identified risks for users

Circumstances	Risk for users	Ideas for managing the risk
• Conglomerate qualifies for exemption • Does not present a statement of cash flows	**Loss of useful information** Information that is useful is excluded from the conglomerate's financial statements	We think the risk that the conglomerate's financial statements exclude information that is useful is *greater* than the risk they include information that is not useful. To minimise this risk, the scope should only include conglomerates where the extent of non-banking and non-insurance activities is minimal (that is, have a high threshold for a narrow sub-set of conglomerates)
• Conglomerate does not qualify for exemption • Presents a statement of cash flows	**Presentation of information that is not useful** Information that is not useful is included in the conglomerate's financial statements	

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Identified risks for preparers

Circumstances	Risk for preparers	Ideas for managing the risk
• Subsidiary entity qualifies for exemption • Parent entity does not qualify for exemption	**Limited cost savings** Benefit of exemption reduced because subsidiary must continue to prepare cash flow information for consolidated financial statements	Risk is a consequence of the risk users lose useful information (see slide 35) Take risk into account when determining the threshold at which conglomerates qualify for exemption
• Conglomerate's activities and structure change frequently • Consequently, its eligibility for the exemption also changes frequently	**Limited cost savings** Benefit of exemption reduced because conglomerate must continue to maintain systems that produce cash flows information	Define a scope that provides a stable, but not permanent, exemption: • Eligibility changes occur only when there has been significant changes to an entity's activities • Eligibility changes do not occur when there has been a group reorganisation (that is, legal structure should not determine eligibility)

Question for ASAF members

4. Have you identified any risks, in addition to those described in slides 35–36, presented by conglomerates that we need to consider when defining the scope of any exemption?
   - Do you have any suggestions about how to manage the risks you have identified?

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