Staff paper

Agenda reference: 11

IASB® meeting

Date	**September 2026**
Project	**Amortised Cost Measurement**
Topic	**Cover Paper**
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Purpose of paper

1. The purpose of this paper is:

   (a) to provide an overview of the papers for this meeting; and

   (b) to set out the next steps in the project.

2. The paper has one appendix: Appendix A—Summary of the IASB's tentative decisions.

3. We do not ask the IASB to make any decisions in this paper.

Overview of the papers for this meeting

4. At its June 2026 meeting, the IASB tentatively decided to propose amending IFRS 9 *Financial Instruments* to provide application guidance about how to assess whether a modification of a financial instrument is substantial and therefore results in derecognition.

5. At this meeting, the IASB will discuss other matters related to modifications of financial instruments. Each paper considers application questions stakeholders raised during the post-implementation reviews of IFRS 9, explores possible clarifications to

address those questions and asks whether the IASB agrees with the staff recommendations. Specifically:

(a) **Agenda Paper 11A** discusses stakeholder questions about applying the 10 per cent test in paragraph B3.3.6 of IFRS 9 to specific financial instruments.

(b) **Agenda Paper 11B** discusses stakeholder questions about accounting for the Effective Interest Rate (EIR) of a modified financial instrument when the modification does not result in derecognition.

(c) **Agenda Paper 11C** discusses stakeholder questions about accounting for costs or fees when a financial instrument is modified and the modification does not result in derecognition.

Next steps

6. At future IASB meetings, we plan to discuss the following topics during the remainder of 2026:

(a) measurement of a financial liability arising from contingent settlement provisions. We expect to begin deliberations on this topic in October 2026.

(b) boundaries between modification, derecognition and impairment. We expect to begin deliberations on this topic in November–December 2026.

Appendix A—Summary of the IASB's tentative decisions

Topic	Staff condensed summary of the IASB's tentative decisions
	A full record of the IASB's tentative decisions is available from the IASB updates in the project page
Project direction	In June 2025, the IASB tentatively decided: a. to add the project to its standard-setting work plan, under which any consultative document the IASB might later publish would be an exposure draft; and b. not to set up a consultative group for the project.
Determining EIR at initial recognition	In February 2026, the IASB tentatively decided: a. to clarify that a substantial modification of a financial asset, or a part of a financial asset, is accounted for as derecognition of the original financial asset and recognition of a new financial asset; and b. to require that an entity apply a principles-based approach in assessing whether a modification of a financial asset or a financial liability is substantial and results in derecognition.
Subsequent changes in estimated cash flows (Subsequent changes through the EIR)	In April 2026, the IASB tentatively decided to amend paragraph B5.4.5 of IFRS 9 to require that an entity adjust the EIR to account for a re-estimation of the contractual cash flows of a financial asset or a financial liability that provides consideration for the time value of money or for the credit risk.
a. Definition of a 'modification' of financial instruments; and b. Determining whether a modification results in derecognition	In February 2026, the IASB tentatively decided: a. to clarify that a substantial modification of a financial asset, or a part of a financial asset, is accounted for as derecognition of the original financial asset and recognition of a new financial asset; and b. to require that an entity apply a principles-based approach in assessing whether a modification of a financial asset or a financial liability is substantial and results in derecognition.

Topic	Staff condensed summary of the IASB’s tentative decisions
Modification of financial instruments—general approach	In June 2026, the IASB tentatively decided to propose that: a. an entity would determine whether modification of a financial asset or financial liability is substantial based on a holistic analysis of the changes in the contractual cash flows. The entity would consider qualitative and quantitative factors as part of this analysis. The ‘10 per cent test’ as described in paragraph B3.3.6 of IFRS 9 could supplement the analysis but would not be the decisive factor in isolation. b. the factors an entity would consider in determining whether a modification is substantial include: i. a change in the currency in which principal or interest is denominated, which would suggest the modification is substantial. ii. a change in cash flow characteristics that alters the assessment of whether the cash flows are solely payments of principal and interest for a financial asset; or whether an embedded derivative is separated from the host contract for a financial liability. Such a change would suggest the modification is substantial. iii. a change in borrower counterparty, which would suggest the modification is substantial, unless the change is between entities under common control. iv. 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. c. the relevance and weighting of specific factors would depend on the type and characteristics of the financial instrument and general economic conditions. An entity would consider reasonable and supportable information available without undue cost or effort that is relevant to the financial instrument being assessed.