IFRS Accounting

Staff paper

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IFRS® Interpretations Committee meeting

Date	**September 2026**
Project	**Sale of equity investments measured at FVOCI (IFRS 9)**
Topic	**Initial consideration**
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Introduction

1. The IFRS Interpretations Committee (Committee) received a submission about how an entity accounts for a difference between the fair value of an investment in an equity instrument and the consideration received upon the sale of that investment when the entity elected to measure the investment at fair value through other comprehensive income in accordance with IFRS 9 *Financial Instruments*.

2. The objective of this paper is:

   (a) to provide the Committee with a summary of the matter;

   (b) to present our research and analysis; and

   (c) to ask the Committee whether it agrees with our conclusion that a standard-setting project is not needed to address the question and with our recommendation to publish a tentative agenda decision.

Structure

3. This paper includes:

   (a) background and summary of the matter (paragraphs 5–9);

(b) findings from the information request (paragraphs 10–19);

(c) staff analysis (paragraphs 20–23); and

(d) staff recommendation (paragraphs 24–26).

4. There are two appendices to this paper:

(a) Appendix A—suggested wording of the tentative agenda decision; and

(b) Appendix B—submission.

Background and summary of the matter

5. The submission describes a fact pattern in which an entity elected to measure an investment in an equity instrument at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9. The entity subsequently sells that investment and the consideration the entity receives differs from the fair value of the instrument at the disposal date.

6. The submission asks how an entity accounts for the difference between the fair value of the investment in an equity instrument on the disposal date and the consideration the entity receives upon the disposal of the investment.

7. The submission (reproduced in Appendix B) says the consideration an entity receives on disposal of an investment in an equity instrument might differ from the fair value of the instrument on the disposal date for various reasons. For example, the parties to the transaction could determine the sale price as the average of the instrument's quoted price in an active market, or the parties to the transaction might adjust the instrument's quoted price in an active market by a premium or discount to reflect the size of the equity holding being sold.

8. The submission outlines two views about the accounting for a gain or loss arising from a difference between the fair value of the investment in an equity investment and the consideration received at the disposal date:

(a) View 1—the entity recognises the difference in profit or loss.

(b) View 2—the entity recognises the difference in other comprehensive income.

9. The submission—reproduced in Appendix B—includes further information about the fact pattern, the alternative views identified by the submitter and the rationale for the alternative views.

Findings from the information request

Information request

10. We sent an information request to members of the International Forum of Accounting Standard Setters, securities regulators, large accounting firms and members of the International Accounting Standards Board (IASB)'s Financial Instruments Consultative Group (FICG). We also made the submission available on our website.

11. The request asked:

(a) about the prevalence of situations in which, on disposal of an investment in an equity instrument, there is a difference between the fair value of the investment on the disposal date and the consideration received;

(b) if situations in which there is a difference are prevalent:

(i) whether the differences observed are material and if so, whether they are present across jurisdictions or industries; and

(ii) the reasons for such differences; and

(c) whether respondents observe or are aware of diversity in the application of IFRS 9 in the accounting for such differences (similar to that described in paragraph 8 of this paper) that could have a material effect on the financial statements of those affected, and the root causes of any diversity in application.

12. We received 21 responses—eight from national accounting standard-setters, seven from large accounting firms, one from an organisation representing a group of

securities regulators and five from preparers that are members of the FICG. The responses received represent informal opinions and do not necessarily reflect the official views of those respondents or their organisations.

Summary of findings

Prevalence of differences on disposal between fair value and consideration received

13. Most respondents said, in their experience, differences on disposal of an investment in an equity instrument between the fair value on the disposal date and the consideration received are uncommon or occur only rarely.

14. A few respondents said that although differences are uncommon, they could arise in particular circumstances, such as in the case of block trades. Block trades (of a group or 'block' of instruments) might result in discounts or premiums in pricing compared to the recurring fair value measurement of an individual equity instrument, resulting in a difference upon disposal of the block of shares. Differences might also arise in the case of 'fire' or forced sales, as a result of transaction-specific pricing mechanisms, pricing in illiquid markets, or when cost is used as an estimate of fair value.

15. A few other respondents said that differences might occur more frequently in their jurisdictions due to block trades or for other reasons—such as a timing difference between when parties to the sale agree to the sales price and complete the sale, or the use of averaging pricing mechanisms.

16. Of the respondents that said differences arise in some cases, most said that the differences are not material. However, a few respondents said that although differences are generally not material, those differences can be material in particular transactions such as block trades. One respondent said that although differences are uncommon, when they do occur, they could be material for particular types of entities such as small or medium-sized companies, or those in industries such as biotech or mining.

Diversity in application of IFRS Accounting Standards that could have a material effect on those affected

17. Nearly all respondents said that, for situations in which there is a difference between fair value and consideration received on the disposal date for an investment in an equity instrument, they have not observed, or are not aware of, diversity in applying the requirements in IFRS 9 that could have a material effect on affected entities' financial statements. Most respondents that observed differences between the fair value and consideration received on the disposal date (as described in paragraph 14 of this paper) said common practice is for entities to recognise such differences in other comprehensive income (consistent with View 2 described in paragraph 8(b) of this paper). Many respondents that said they have not observed material differences expressed a preference for recognising the differences, when they do occur, in other comprehensive income.

18. One national standard-setter that said the effect of differences between the fair value and consideration received is not material nonetheless said practice in their jurisdiction is to recognise the differences in profit or loss (View 1 described in paragraph 8(a) of this paper), with another saying they have observed both views described in paragraph 8 being applied in their jurisdiction. One accounting firm said it has a published view consistent with View 1—but, in their experience, material differences are not prevalent.

19. One national standard-setter said in their jurisdiction they have observed entities applying both views and the differences between the fair value and consideration received could be material.

Staff analysis

Criteria for a standard-setting project

20. Paragraph 5.19 of the IFRS Foundation *Due Process Handbook* (*Handbook*) states that the Committee assesses the need for a standard-setting project based on whether:

    (a) the matter has widespread effect—that is:

        (i) the circumstance or transaction is prevalent, or is expected to be prevalent; and

        (ii) there is diversity, or expected diversity, in the application of IFRS Accounting Standards that has, or is expected to have, a material effect on those affected;

    (b) it is necessary to add or change requirements in IFRS Accounting Standards to improve financial reporting—that is, the principles and requirements in IFRS Accounting Standards do not provide an adequate basis for an entity to determine the required accounting;

    (c) the matter can be resolved efficiently within the confines of the existing Standards and the *Conceptual Framework for Financial Reporting*; and

    (d) the matter is sufficiently narrow in scope that the IASB or the Committee can address it efficiently, but not so narrow that it is not cost-effective for the IASB or the Committee and stakeholders to undertake the due process required to amend an IFRS Accounting Standard.

Does the matter have widespread effect? (paragraph 5.19(a))

21. The purpose of any information request we send to stakeholders is to understand whether a submission meets the criterion in paragraph 5.19(a) of the *Handbook*—that is, whether the matter set out in the submission has widespread effect. We consider:

    (a) the prevalence, or expected prevalence, of the transaction or fact pattern submitted; and

(b) whether there is diversity, or expected diversity, in the application of IFRS Accounting Standards to that transaction or fact pattern that has, or is expected to have, a material effect on those affected.

22. Findings from our information request indicate that:

(a) differences between the fair value—on the disposal date—of an investment in an equity instrument measured at fair value through other comprehensive income and consideration received on disposal of that investment are not prevalent. However, differences might arise in particular circumstances or transactions.

(b) when such differences arise, the differences are generally not material, although in particular situations they could be material.

(c) there is little diversity in applying the requirements in IFRS 9 to such investments in equity instruments, with entities commonly recognising such differences in other comprehensive income. Only one of the 21 respondents to our outreach request said the differences could be prevalent and material *and* there is observed diversity in the application of IFRS 9.

23. Therefore, in our view, we have not obtained evidence to date that the matter has widespread effect and, consequently, the criterion in paragraph 5.19(a) of the *Handbook* is not met. In accordance with paragraph 5.22 of the *Handbook*, a standard-setting project is not needed to address the question submitted.

Staff recommendation

24. Based on our assessment of the criteria in paragraph 5.19 of the *Handbook* (as discussed in paragraphs 20–23), we recommend that the Committee publish a tentative agenda decision explaining its decision that a standard-setting project is not needed.

25. Our recommendation is based on evidence we obtained to date from our information request. Should there be additional evidence that could lead to a different conclusion

on whether the matter has widespread effect, stakeholders will have the opportunity to share this with the Committee by providing feedback on the tentative agenda decision.

26. Appendix A sets out the suggested wording of the tentative agenda decision.

Questions for the Committee

1. Does the Committee agree with our conclusion that the criterion in paragraph 5.19(a) of the *Handbook* is not met and, consequently, there is no need for a standard-setting project?
2. Does the Committee have any comments on the wording of the tentative agenda decision suggested in Appendix A?

Appendix A—Suggested wording of the tentative agenda decision

A1. We propose the following wording for the tentative agenda decision.

Sale of equity investments measured at fair value through other comprehensive income (IFRS 9 *Financial Instruments*)

The Committee received a request about how an entity accounts for a difference between the fair value of an investment in an equity instrument and the consideration received upon the sale of that instrument when the entity elected to measure the investment at fair value through other comprehensive income in accordance with IFRS 9 *Financial Instruments*.

Fact pattern

An entity elected to measure an investment in an equity instrument at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9. The entity subsequently sells that investment and the consideration the entity receives for the investment differs from the fair value of that investment at the disposal date.

The request asks whether an entity accounts for a difference between the fair value of the investment on the disposal date and the consideration the entity receives upon the disposal of that investment in profit or loss or in other comprehensive income.

Findings and conclusion

Evidence gathered by the Committee [to date] indicates little diversity that could have a material effect on those affected in the application of the requirements in IFRS 9 to the fact pattern. Feedback suggests entities generally recognise a difference between the fair value of an investment in an equity instrument on the disposal date and the consideration received upon the disposal of that investment in other comprehensive income.

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

Appendix B—Submission

B1. We have reproduced the submission below.

1. Description of the issue

1. When equity instruments, for which the holders elected FVOCI measurement in accordance with paragraph 5.7.5 of IFRS 9, are sold, the consideration received does not always corresponds to the fair value of the instrument on the disposal date. The difference between the fair value of the instrument and the consideration may have various causes. For instance, the parties sometimes set the sale price as the average of the instrument's quoted price in an active market. Another example is a difference resulting from premiums or discounts to the instrument's quoted price in an active market that take into account the size of the equity holding being sold.

2. ESMA and European enforcers observed that there are two views as to whether the difference between the fair value and the consideration received should be accounted for:

View 1: The difference shall be recognised in profit or loss

3. Proponents of View 1 refer to paragraph 3.2.12 of IFRS 9 which requires that, on derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received is recognised in profit or loss. They point out that this requirement is unambiguous and contains no exceptions. This is particularly important as IFRS 9 adopts a deliberately prescriptive approach to the accounting for financial instruments, characterised by detailed requirements and explicitly defined exceptions. In this context, departures from the general principles require an express basis in the standard. Where IFRS 9 does not provide for a specific and clear exception, the general requirements apply.

4. Supporters of View 1 acknowledge that paragraph 5.7.1 of IFRS 9, which states that a gain or loss on a financial asset measured at fair value is recognised in profit or loss,

lists equity instruments, for which entity has elected to present gains and losses in OCI, under letter (b) as one of the exceptions from this principle. However, they also note that letter (b) refers to gains and losses presented in OCI in accordance with paragraph 5.7.5 of IFRS 9, whereas that paragraph refers only to subsequent changes in the fair value and does not mention other types of gains and losses, in particular those arising on the sale of equity instruments due to the difference between the instrument's fair value and the consideration received.

5. They also point out that other exceptions to the general rule of paragraph 5.7.1, listed under letters (a), (c) and (d) of that paragraph, require that only some (and not all) gains and losses arising from the respective financial instruments are not recognised in profit or loss. For example, in the case of financial liabilities designated as at fair value through profit or loss, only the effects of changes in the liability's credit risk are recognised in OCI and not in profit or loss.

6. In summary, it is concluded under View 1 that there is no provision in IFRS 9, nor any guidance in the Basis for Conclusions to IFRS 9, that would clearly indicate that the difference between the carrying amount (measured at the date of derecognition) and the consideration received shall be recognised, contrary to the wording of paragraph 3.2.12, in OCI. Therefore, the difference shall be recognised in profit or loss.

View 2: The difference shall be recognised in OCI

7. Supporters of View 2 point out, with regard to the requirement in paragraph 3.2.12, that this paragraph is located in chapter 3 of IFRS 9, 'Recognition and derecognition', which sets out general principles to which exceptions may apply in certain cases. Those exceptional rules are contained in other chapters dealing with specific rules applicable to specific types of financial instruments, such as Chapter 5 'Measurement'. They also refer to explanations in the Basis for Conclusions to IFRS 9, according to which permitting an option for entities to present some gains and losses in OCI is an exception to the overall classification and measurement approach (paragraph BC 5.28), and, on this basis, argue that it was a deliberate decision of the

Board not to make changes to general requirements, but instead to add some specific requirements.

8. Building on this point, proponents of View 2 argue that 'a gain or loss' in paragraph 5.7.1 (Chapter 5 'Measurement') means all instances of a gain or loss resulting from equity instruments apart from dividends, for which paragraph 5.7.6 expressly requires recognition in profit or loss.

9. Another point to note is that, during the post-implementation review on the IFRS 9 classification and measurement requirements, some investors asked for more comprehensive information about the performance of equity instruments designated at fair value through OCI. To address this feedback, the IASB added a provision to this effect in paragraph 11A(f) of IFRS 7 *Financial Instruments: Disclosures*, which requires an entity to disaggregate fair value gains and losses presented in OCI during the reporting period between investments derecognised during the reporting period and the amount related to investments held at the end of the reporting period. This indicates, in the opinion of the proponents of View 2, that all gains and losses from these instruments are recognised in OCI.

10. Based on the above arguments, View 2 suggests that the difference between the carrying amount (measured at the date of derecognition) and the consideration received is recognised in OCI.

2. Request

11. ESMA seeks clarification on the accounting treatment of the difference between the carrying amount of an equity instrument designated at fair value through OCI at the disposal date and the consideration received. ESMA notes that this request does not concern aspects of fair value measurement in accordance with IFRS 13 *Fair Value Measurement* but relates solely to the accounting treatment of the difference between the carrying amount (fair value) and the consideration received irrespective of the underlying reasons giving rise to that difference.

12. While some accounting literature clearly supports an approach consistent with View 1, other sources highlight uncertainties and explicitly call for clarification.

13. Furthermore, ESMA has discussed this issue within other non-EU enforcers' groups and with some auditors. Based on these discussions, ESMA concludes that situations in which the carrying amount (fair value) materially differs from the consideration received are not isolated but are likely widespread. At the same time, they reveal a lack of consistency in the accounting treatment applied in practice. The issue is expected to be particularly prevalent in transactions involving listed equity instruments measured at Level 1 fair value (e.g. block trades, private placements, accelerated bookbuilding transactions).

14. Finally, ESMA notes that recognising the differences between the carrying amount and the consideration received in profit or loss, rather than in OCI, can have a meaningful impact on reported performance and, consequently, on investor decision-making. This further underscores the need for a clear, robust and consistently applied accounting treatment.