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International  
Accounting Standards  
Board

*This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.*

*Note: These notes are based on the staff paper prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB paper. However, because these notes are less detailed, some paragraph numbers are not used.*

### INFORMATION FOR OBSERVERS

**IASB Meeting:** 19 January 2005, London  
**Topic:** IAS 39 and IFRS 4 - Financial Guarantees and Credit Insurance (Agenda item 4)

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#### Summary (Board Paper 4)

##### Purpose

1. The purpose of the Board's discussion at this meeting is to assess whether the Board should proceed, in general terms, with the proposals in the ED on Financial Guarantee Contracts and Credit Insurance. This paper summarises the arguments relevant to that decision. Agenda paper 4A gives background information on the current position and on the proposals in the ED. Agenda paper 4B summarises the comment letters.
2. If the Board decides to proceed, in general terms, with the proposals, the staff will provide a more detailed analysis for the February meeting for a discussion on whether the proposals should be amended.

##### Summary of staff recommendation

3. On balance, the staff considers that the arguments favour withdrawing the proposal.

## **Arguments for not proceeding**

4. Some responses do not want to proceed with the proposed changes for the following reasons:
  - a) The liability adequacy test as defined in IFRS 4 is not perfect but good enough to be adequate.
  - b) If the overall result after the proposed changes is not that different from current practice, why should the current practice be changed?
  - c) The ED does not give enough guidance how to deal with some common features of these contracts (see paragraph on problem areas at the end of the paper).
  - d) Changes to IAS 39 and IFRS 4 would undermine the idea of a stable platform. Especially credit insurance contracts would have to face three consecutive changes (IFRS 4, ED on financial guarantees, Phase II of insurance project)
  - e) The Board should not prejudge issues that will be debated more thoroughly in phase II for insurance contracts.
  - f) Since FIN 45 that deals with accounting for financial guarantees explicitly exempts insurance contracts, the ED suffers from a lack of convergence with US-GAAP.
  - g) The proposed changes overcomplicate the standards by introducing scope exclusions and special rules, for limited benefit.
  - h) The distinction between financial guarantees, insurance contracts and guarantees bearing neither insurance nor financial risks should be more fully explored before the Board introduces accounting requirements concerning some of the contracts only.
  - i) The ED creates a subsequent measurement mismatch for companies that are both holders and issuers of financial guarantees. The reinsurance arrangement may receive a different subsequent measurement even though it mirrors the issued financial guarantee contract. This problem might be resolved by extending the fair value option to financial guarantees.

- j) A specific problem arises, if no arms' length premium is charged in separate financial statements for an intra-group guarantee. It would be costly for the parent company to develop a fair value for its separate accounts. Hence, several comment letters suggested that financial guarantee contracts between parents and subsidiaries should be explicitly exempted from the ED. But creating an exemption would further weaken the case for doing anything.

### **Arguments for proceeding for financial guarantees but not credit insurance**

- 5. Some responses propose to proceed for financial guarantees but not for credit insurance for the following reasons:
  - a) Financial guarantees and credit insurance contracts are different in substance. However, the Association of Financial Guaranty Insurers (AFGI) argue that their contracts are insurance contracts in both form and substance, although their business model sounds very like what the credit insurers say is giving bank style guarantees.
  - b) Credit insurers assert that banks see financial guarantees as similar to loan commitments and so it is appropriate to use the same accounting. In their opinion default is just a tactical decision to borrow in one-way rather than another. Also, bank accrue interest on drawdowns under financial guarantees, whereas credit insurers do not accrue interest.
  - c) Credit insurers provide all kinds of other services, such as debt collection and encashment. So credit insurance contracts are more than just financial instruments.
  - d) Some are not convinced that the minimum requirements in IFRS 4 pertaining to liability adequacy tests are robust enough. They especially welcome the application of paragraphs 37.45-46 that require provisions to be discounted where the effect is material.

## 6. Alternative solutions

- a) One response sees the concern of the Board that the liability adequacy test as required by IFRS 4 could in certain cases result in credit insurance liabilities being measured at an amount less than IAS 37 would require. Hence, some recommend the Board to consider amending IFRS 4 to require use of IAS 37 as a mandatory liability adequacy test for credit insurance contracts until phase II has been finalised.
- b) This suggestion might avoid some of the problem areas we listed below, but not all of them. If credit insurance contracts stay in IFRS 4, the Board doesn't have to find a solution outside IFRS 4 for issues that are specific to insurance contracts like participation features, expanded presentation for business combinations and deferred acquisition costs. But other issues from the problem areas list may remain to be addressed.

## **Problem areas**

7. If the Board decides to proceed with the ED, some or all of the following areas may have to be addressed by detailed requirements that are not yet included in the ED:
  - a) Deferred acquisition costs (DAC)
  - b) Regular premiums
  - c) Accounting for premium after losses
  - d) Reinsurance purchased (Some think fair value is required by IAS 39)
  - e) Participation features (including rebates for low claims)
  - f) Discounting
  - g) Risk margins

- h) Unit of account
- i) Inter-company guarantee in single financial statement (exempted by FIN 45)
- j) Recovery and subrogation
- k) Uncertain premium, since the final premium is usually determined as a percentage of realised turnover at the end of the contract
- l) Guidance on amortisation of deferred premium
- m) Which disclosure applies? (Appears to be IAS 32, but IFRS 4 seems to be more appropriate (e.g. IFRS 4 requires disclosure of a loss development table)
- n) Credit insurance contracts could not use expanded presentation for business combinations (IFRS 4.31-33)

### **Staff recommendations**

8. The staff is unable to identify a difference between financial guarantees and credit insurance of sufficient substance to support differing accounting treatments.
9. In order to exclude credit insurance contracts from the ED some respondents proposed to change the definition of a financial guarantee as follows:
 

“A financial guarantee contract is a contract **(i)** that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument and **(ii) the nature of which is comparable to a loan commitment as it is settled through a loan to the party whose obligation is being guaranteed in the event of an adverse effect. Those guarantee contracts meeting criteria (i) but not criteria (ii) are in the scope of IFRS 4 as they are insurance contracts.**”
10. The proposed definition may not be robust enough to distinguish between financial guarantees which are comparable to a loan commitment and a credit insurance contract. In addition it is doubtful, if financial guarantees do have the nature of a loan commitment at all.

11. Most of the issues from the problem areas list seem to be difficult to resolve without doing further research. Some of the issues might even touch areas that are currently under discussion in the Insurance Working Group. So it may be difficult to resolve these issues quickly enough to make it worthwhile trying to finalise the amendments proposed in the ED.
12. For those financial guarantee contracts for which a separate arm's length fee is received at inception, existing accounting practice typically involves the deferral of that fee. Thus, if these contracts remain within the scope of IFRS 4, a liability is likely to be recognised at inception for those contracts. Subsequently, although the liability adequacy requirements in IFRSs are not perfect, they do offer a reasonable prospect that foreseeable losses will be recognised. In addition, although a requirement to apply IAS 37 as the liability adequacy test would add rigour, respondents have highlighted several areas where additional guidance may be needed.
13. For those contracts for which no separate fee is received:
  - a) There can be no certainty that a liability would be recognised at inception if these contracts remain within the scope of IFRS 4. Furthermore, the liability adequacy test in IFRS 4 is less than perfect. Therefore, the proposals in the ED would be likely to have a greater effect for these contracts.
  - b) The most obvious contracts for which no separate fee is received are intra-group guarantees. On consolidation, these transactions would be eliminated, so the proposals would have no effect. Several commentators argued that determining an initial fair value for these contracts is more difficult than for those contracts for which a separate arms length guarantee fee is charged. Furthermore, these contracts are excluded from the scope of the relevant US requirement (FIN 45).
14. In the light of these factors, the staff recommends that the Board withdraw the proposals in the ED.

## **Background (Board Paper 4A)**

### **Purpose of this paper**

1. This paper gives background information on this project.

### **Project history**

2. In July 2004, the Board published an Exposure Draft on Financial Guarantee Contracts and Credit Insurance. It invited comments by 8 October 2004.
3. In December 2004 representatives of the International Credit Insurance & Surety Association (ICISA) and the Association of Financial Guaranty Insurers (AFGI) led an education session at the Board meeting.

### **What contracts are we talking about?**

4. Financial guarantee contracts may take various legal forms, such as that of a financial guarantee, letter of credit, credit default contract or insurance contract.
5. The Exposure Draft proposes to define a “financial guarantee contract” as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument.
6. If the risk transfer resulting from a financial guarantee contract is significant, the contract also meets the definition of an insurance contract in IFRS 4.

### **Position before the proposal**

7. If financial guarantees meet the definition of an insurance contract, they are within the scope of IFRS 4.
8. Under IFRS 4 the existing accounting practice can generally be continued. Exceptions apply for example to equalisation reserves, which must be eliminated.

9. The issuer of an insurance contract has to apply a liability adequacy test. As a minimum requirement the test has to consider current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees. If the test shows that the liability is inadequate, the entire deficiency has to be recognised in profit or loss.
10. If the insurer's accounting policies do not require a liability adequacy test that meets the minimum requirements, the insurer has to use *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* as a liability adequacy test. In other words, the insurer must measure the liability at the higher of the amount determined under its other accounting policies and the amount determined under IAS 37.

### **Effect of the Exposure Draft**

11. The Exposure Draft contains proposals that all financial guarantee contracts (including those that also meet the definition of an insurance contract) should be within the scope of IAS 39.
12. Financial guarantee contracts should be measured initially at fair value. If the financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is likely to equal the premium received, unless there is evidence to the contrary.
13. Subsequently the financial guarantee should be measured at the higher of:
  - c) The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18; and
  - d) the amount determined in accordance with IAS 37.
14. There would be no change in accounting for contracts that were entered into or retained on transferring financial assets or financial liabilities to another party. Those contracts would still be measured:

- a) In accordance with paragraphs 29-37 and AG47-AG52 of IAS 39 if the financial guarantee contract prevents derecognition or results in continuing involvement; or
- b) As a derivative in all other cases.

## **Summary**

15. The proposal would change accounting practice for financial guarantee contracts that currently fall under IFRS 4. Under IFRS 4 the issuer of a financial guarantee has to apply a liability adequacy test meeting minimum requirements. The test has to consider current estimates of all contractual cash flows. If those requirements are not met, the issuer has to use IAS 37 as a liability adequacy test. The exposure draft proposes to require the use of IAS 37 as a liability adequacy test for liabilities from financial guarantees. This means that risk and uncertainties have to be taken into account and the present value concept has to be applied.

## Comment letter analysis (Board Paper 4B)

### Purpose

1. This paper summarises the key points made in the comment letters on the questions asked in the ED. To date, 61 comment letters have been received.
2. The structure of the paper is as follows:
  - a) A quantitative analysis of the responses shows significant distinctions between responses by category and by country.
  - b) The following paragraphs list major fields of arguments brought up in the comment letters. Some respondents do not agree that credit insurance contracts should be treated like financial guarantees. Therefore, they argue that these contracts should remain within the scope of IFRS 4. Their main arguments are summarised below under the following headings:
    - i. Differences in economic substance
    - ii. Credit insurance contracts fall under IFRS 4
  - c) Some responses see problems with the application of the following standards to financial guarantees as defined in the ED:
    - i. Application of IAS 37
    - ii. Application of IAS 18
    - iii. Application of IAS 32
    - iv. Application of the fair value option in IAS 39
  - d) Other issues do not address the ED itself but raise wider issues that are connected with the ED:
    - i. Scope of financial guarantees
    - ii. Intra-group contracts

- iii. Accounting by the holder
- iv. Convergence with US GAAP
- v. Effective date
- vi. Editorial issues

### **Quantitative analysis**

3. We received 28 comment letters from preparers or associations of preparers. 17 comment letters came from the insurance industry, 8 comment letters came from the banking industry. All letters from the insurance industry argue that credit insurance contracts should not be included in IAS 39. All letters from the banking industry do not oppose to include credit insurance contracts in IAS 39.
4. 5 comment letters out of 15 from accounting bodies do not agree that credit insurance contracts should be included in IAS 39. 4 of those letters are from EU-countries. 2 of the Big 4 accounting firms agree broadly with the exposure draft. The other two disagree.
5. We received 11 comment letters from standard setters. 6 of them do not agree to put credit insurance contracts under IAS 39.
6. All 4 comment letters from regulators do not prefer to include credit insurance contracts in IAS 39.

Category	Total	Disagree <sup>1</sup>
Preparer	28	17
Accounting	15	5
Standard Setter	12	5
Regulator	4	4
Other	2	1
Sum	61	32

Geography	Total
EU	28
International	11
North America	5
AUST+NZ	5
Switzerland	3
Asia	3
Japan	3
South Africa	2
Russia	1
Sum	61

### **Differences in economic substance**

7. Almost every comment letter explicitly agreed that the legal form of financial guarantee contracts should not affect their accounting treatment (Question 1). However, 32 comment letters consider credit insurance contracts different not only in legal form but also in economic substance. Therefore they propose that insurance contracts should be within the scope of IFRS 4 like all other insurance contracts.
8. Comment letters give the following explanations of the economic differences between financial guarantees and credit insurance contracts:
  - a) Origination of the contract
    - i. A financial guarantee is a contract between the guarantor and the debtor. The initiative to establish the contract comes from the debtor, who buys a guarantee in favour of his creditor in order to give him a collateral security.

- ii. A credit insurance contract is a contract between the insurer and the supplier (creditor). The initiative to establish the contract comes from the creditor, who wants to protect his trade receivables against non-payment. Usually the customers do not know about the contract. The policyholder will never become a debtor towards the credit insurer. Credit insurances cover the credit component of the risk of selling.
- b) Risk exposure
- i. Financial guarantees deal with specific exposures.
  - ii. Credit insurance contracts cover overall turnover, regardless of the number of counter-parties involved. Insurance contracts cover the existing and future receivables.
- c) Measurement of risk
- i. The measurement of risk for financial guarantees is done on the basis of every single contract. Stochastic methods are irrelevant for financial guarantees. However, some caution that portfolio approaches may also be relevant for financial guarantees and one comment rejects the portfolio argument.
  - ii. The future cash flows arising from credit insurance contracts are at random which gives the credit insurer the chance to apply a portfolio approach and stochastic models. This is the key characteristic of insurance business and is leading to specific features of this business.
- d) Management of risk
- i. Financial guarantees are based on the assessment of the credit-worthiness of every single requesting debtor at inception. Afterwards neither the creditor nor the debtor are obliged to inform the issuer of the guarantee of changes in the financial position of the debtor. The issuer of financial guarantees is also not entitled to reduce the guarantee. Hence, financial guarantees might be settled

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<sup>1</sup> Number of letters that do not agree to include credit insurance contracts in the definition of financial guarantees.

through a loan to the holder and are managed as loan commitments by the issuer.

- ii. Credit insurance contracts include features, such as deductibles, percentage of coverage, participation features and maximum liability. The policyholder of a credit insurance contract is obliged to inform the insurer about any event that may affect the creditworthiness of a customer, especially about delayed payments. As a consequence, credit insurance contracts are entitled to reduce the limits for receivables from a specified customer of the policyholder without cancelling the insurance contract.

e) Collateral

- i. Financial guarantees are often collateralised.
- ii. Credit insurance contracts are not collateralised.

f) Situation after debtor fails

- i. If the debtor fails in a financial guarantee contract, the guarantor of a financial guarantee usually has to pay at first notice irrespective of whether the default was fortuitous. The claims paid change into a loan on which financial interest is calculated.
- ii. Policyholders of credit insurance have to prove that they have suffered a loss. Insolvency of the customer is not sufficient. The credit insurer may refuse the payment of a claim or may delay payment while a claim is investigated. After the claim is accepted, credit insurers have subrogation rights. In other words, they step into the shoes of their policyholder (the creditor) and can thus try to recover the nominal amount of the receivable from the debtor and no interest is charged.

g) Position of the holder

- i. The default under financial guarantees is partly under the control of the debtor, who can make an arbitrage between defaulting under the terms of the financial guarantee and issuing another debt instrument.

- ii. In the case of a credit insurance contract, the default is outside the control of the policyholder. Hence credit insurance is less or even not at all subject to moral hazard.
- h) Attached services
- i. Credit insurance contracts are usually combined with additional services such as sending reminders and encashment.

### **Credit insurance contracts fall under IFRS 4**

9. The following arguments were brought up to distinguish between financial guarantees and credit insurance contracts, since credit insurance contracts are already under IFRS 4:
- a) When developing IFRS 4, the Board clearly stated that the objective of phase I of the insurance project was to make limited improvements to insurance accounting while avoiding major changes until finalising phase II. Credit insurance, as applied in Europe, is usually an insurance product, no different from other insurance products and should be accounted for under IFRS 4. Insofar, commentators regard changes for credit insurance contracts as inappropriate as long as the accounting of insurance contracts in general is still under consideration.
  - b) Some argue, that no new rules are needed for credit insurance contracts, as the liabilities are already recognised under IFRS 4 as unearned premiums and claim liabilities. The liability adequacy test ensures that the liability is not understated. Since they do not see deficiencies in the accounting treatment of credit insurance, they see no need for changing a method that is known and accepted.
  - c) Some do not see that the proposed measurement would bring real improvement to the existing practice in IFRS 4. The requirement of a liability adequacy test in IFRS 4 aims at avoiding that “material and reasonably foreseeable losses arising from existing contractual obligations” (IFRS 4 BC94-95) are not recognised. As this requirement seems to be satisfactory for every kind of insurance contract, they do not see why it is not sufficient for credit insurance contracts.

- d) Some suggest that if financial guarantee contracts and credit insurance contracts meet the definition of an insurance contract, IFRS 4 is the appropriate standard to deal with the accounting for both types of contracts until a comprehensive solution in phase II of the insurance project has been found.
- e) Some recommend that IFRS 4 should be amended so that the use of IAS 37 is required as a mandatory liability adequacy test for credit insurance contracts until phase II has been finalised. This approach would leave credit insurance contracts under the general regulations of insurance contract and therefore would avoid finding solutions outside IFRS 4 for issues that are specific to insurance contracts (like participation features, uncertain premiums, disclosure of loss development and presentation of business combinations).
- f) The application of IAS 37 effectively results in the measurement of claim liabilities from credit insurance contracts at fair value. Hence, they fear that this could establish a “precedent” for other insurance contracts that may need to be considered by the Board in phase II.

### **Problems with application**

10. Some responses see problems how the standards that are proposed in the ED should be applied to financial guarantees and credit insurance contracts:

#### Application of IAS 37

- a) Some see no specific guidance in IAS 37/39 for many specific features of a credit insurance contract, e.g. performance features, acquisition costs, reinsurance accounting and renewal options.
- b) The reference to IAS 37 for subsequent measurement is not specific enough. For example IAS 37 permits the measurement of the obligation to be done on an individual valuation basis as well as on a portfolio valuation basis. As a result for credit insurance contracts where a major feature is the risk diversification benefit of the portfolio the unit of account should not be the individual contract but the portfolio.

- c) Some suggest that the proposed subsequent measurement could result in overstatement of liabilities if the fair value less cumulative amortisation is greater than the provision calculated in accordance with IAS 37. Hence, subsequent measurement should only be in accordance with IAS 37.

#### Application of IAS 18

- a) Some argue that it is not clear from the exposure draft, how the amortization of the premium will continue after the amount determined in accordance with IAS 37 exceeds the amount initially recognised less cumulative amortisation.
- b) The exposure draft states that the premium received by the issuer is likely to represent the fair value of the guarantee at inception. This does not address those financial guarantee contracts where the premium is collected in instalments. Those contracts could be treated as annual rolling contracts or the initial value should be calculated as a discounted value of all gross premiums receivable over the life of the contract.

#### Application of IAS 32

- a) A consequence of scooping credit insurance contracts under IAS 32 is that the requirement from IFRS 4 to disclose claims development tables will no longer apply. On the other hand the fair value of financial guarantees will need to be disclosed. Some argue that the principles for fair value measurement of insurance contracts have yet to be determined in phase II of the insurance project and hence, it is not clear how IAS 32 should be applied.

#### Application of the fair value option in IAS 39

11. The ED does not allow applying the fair value option to financial guarantees. This exclusion from the option is questioned by some responses with the following arguments:

- a) Some see an inconsistency between the treatment of financial guarantee contracts that were entered into or retained on transferring financial assets to another party and those financial guarantee contracts issued in a stand-alone arm's length transaction with an unrelated party. The first is accounted for as a derivative with changes in fair value recorded through profit or loss. The subsequent measurement for the latter will follow the IAS 37/ IAS 18 approach. So they propose to allow the fair value option for financial guarantee contracts too.
- b) Some propose that issuers and holders of financial guarantees should have the option to elect such contracts as carried at fair value through profit and loss, since this option is available for all other instruments within the scope of IAS 39 like loan commitments and they do not see a conceptual basis for exclusion of financial guarantees.

### **Other issues**

12. Some raised issues that do not refer to the application of the ED, but concern related areas of interest:

#### Scope

- (a) Some raised questions about the scope because they see other products with risk profiles that are similar to the definition of financial guarantees given in the ED:
  - i. Will a credit default swap be classified as a financial guarantee or a derivative instrument?
  - ii. Does a first-loss protection referenced to a portfolio of underlying accounts also qualify as a financial guarantee?
  - iii. Could a failure to perform on a debt instrument include a penalty triggered by failure to complete a construction project or other service?

- iv. Does it include bonds that have to be satisfied by a compelling performance or by stepping into the shoes of the party required to perform?
  - v. Clarify which kind of letter of credit are within the scope of the proposals (e.g. performance guarantees, facility guarantees, shipping guarantees).
- (b) Some propose not to regard all contracts that include an indemnity as derivative contracts under IAS 39. Instead IAS 37 should cover them.
  - (c) Some recommend developing clear guidance how to differentiate between financial guarantee contracts, insurance contracts and other guarantees.
  - (d) Others point out that on-demand guarantees do not fall within the scope of a financial guarantee as now proposed.

#### Intra-group guarantees

- a) Some would like to see an exclusion of intra-group guarantees from the scope of the ED and IFRS 4. They argue that from the standpoint of the separate financial statements of the issuing entity, it would be difficult to value the guarantee of a related party's debt to a third party as it would not be an arm's length transaction. They suggest that there should be no requirement to recognise a liability under these contracts at inception. However, some suggest that there should be a requirement to apply IAS 37 in determining whether a liability should be recognised and how it should be measured.

#### Accounting by the holder

- a) Some disagree with AG4A(a) and BC4 in the ED which state that the holder of such a financial guarantee should be scoped out of the standard. They see a measurement mismatch in cases where an issuer of a financial guarantee is also the holder of a

corresponding financial guarantee. For example, a bank may buy protection on a portfolio of financial guarantee. This reinsurance contract would be held as an asset at fair value whereas the financial guarantee contract would be measured at the higher of the amortised premium and the amount determined in accordance with IAS 37.

- b) Some would like to have more guidance on the accounting for a financial guarantee contract held as collateral to protect against credit related losses. They are not sure if the financial guarantee will be included in the assessment of the cash flow in determining the amount of impairment loss, rather than a separate financial asset in its own right.

### Convergence

- a) The proposals in the exposure draft are not consistent with the objective of convergence with US GAAP. FIN 45 that deals with accounting for financial guarantees explicitly exempts insurance contracts. Insurance and reinsurance contracts have to be accounted for under specific statements.

### Effective Date

- a) Insurance companies will have to consider changes in the accounting methods of insurance contracts in 2005 (IFRS 4), 2006 (amendment IAS 39) and when Phase II becomes effective. This will not help to make annual reports more understandable and comparable.
- b) Some suggested delaying the effective date until the start of phase II.
- c) Some do not believe that the transition period is sufficient. They argue that the Board underestimates the work that is needed to obtain the required information.

## Editorial issues

- a) Some suggest that the amendments should explicitly address the application to guarantees paid in stock.
- b) Some would like to see concrete examples of accounting treatment.
- c) IAS 39 already contains guidance on fair value measurement, including at initial recognition. So there is no need to define fair value in BC 16(e) of IFRS 4. Summarising or paraphrasing this guidance could result in different approaches to fair value measurement.
- d) The following amendments should be made to IAS 18 and IAS 37 to incorporate the newly amended IAS 39:
  - i. Amend paragraph 6(c) of IAS 18 so as not to exclude financial guarantee contracts within the scope of IAS 39; and
  - ii. Amend paragraph 2 of IAS 37 so as not to scope out financial guarantee contracts within the scope of IAS 39