
IASB® meeting

Date	February 2024
Project	Annual Improvements to IFRS Accounting Standards—Volume 11
Topic	Introduction and Credit Risk Disclosures (Amendments to <i>Guidance on implementing IFRS 7</i>): Analysis of feedback
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

Introduction

1. As explained in Agenda Paper 12 *Maintenance and consistent application—Cover paper*, this paper analyses feedback on *Introduction and Credit Risk Disclosures* (Amendments to *Guidance on implementing IFRS 7* Financial Instruments: Disclosures) included in the [Exposure Draft](#) *Annual Improvements to IFRS Accounting Standards—Volume 11*. The International Accounting Standards Board (IASB) proposed to amend paragraph IG1 in the Introduction of the *Guidance on implementing IFRS 7* to add a statement clarifying that the guidance does not illustrate all the requirements in IFRS 7. The IASB also proposed to amend paragraph IG20B in the credit risk disclosures section of the *Guidance on implementing IFRS 7* to simplify its wording.

Summary of staff recommendations

2. We recommend that the IASB:
 - (a) finalise the proposed amendment to paragraph IG1 of the *Guidance on implementing IFRS 7* with a minor wording change as explained in paragraph 13 of this paper and shown in Appendix B to this paper; and

- (b) finalise the proposed amendment to paragraph IG20B of the *Guidance on implementing IFRS 7* with no changes (see Appendix A to this paper).

Structure of this paper

- 3. This paper includes:
 - (a) [Background information](#);
 - (b) [Summary of feedback](#);
 - (c) [Staff analysis](#);
 - (d) [Staff recommendation and question for the IASB](#);
 - (e) [Appendix A—Extract from the Exposure Draft for proposed amendments to paragraphs IG1 and IG20B of the *Guidance on implementing IFRS 7*](#); and
 - (f) [Appendix B—Recommended revised amendment to paragraph IG1 of the *Guidance on implementing IFRS 7*](#).

Background information

- 4. Paragraphs BC7–BC10 of the Basis for Conclusions on the proposed amendments to *Guidance on implementing IFRS 7* in the Exposure Draft explain the background and the IASB’s rationale for the proposed amendments. Paragraphs BC7–BC10 state:

BC7 Stakeholders informed the IASB about a potential lack of clarity in paragraph IG20C of the *Guidance on implementing IFRS 7* because that paragraph fails to state that the example does not illustrate all the requirements in paragraph 35M of IFRS 7.

BC8 Paragraph IG20B of the *Guidance on implementing IFRS 7*—which illustrates the application of the requirements in paragraphs 35H–35I of IFRS 7—states: ‘this example does

not illustrate the requirements for financial assets that are purchased or originated credit-impaired.’ Stakeholders informed the IASB that this statement might lead readers to expect that paragraph IG20C would also state that it does not illustrate particular requirements in paragraph 35M of IFRS 7.

BC9 The IASB proposes to resolve the lack of clarity in paragraph IG20C and the inconsistency between it and paragraph IG20B by amending:

- (a) paragraph IG1 of the *Guidance on implementing IFRS 7* to state that the implementation guidance accompanying IFRS 7 does not illustrate all the requirements in IFRS 7; and
- (b) paragraph IG20B to simplify the explanation of the aspects of the requirements that are not illustrated.

BC10 Because the *Guidance on implementing IFRS 7* does not provide mandatory requirements, the requirements in IFRS 7 would prevail in case of any confusion or apparent conflict. Nonetheless, the IASB proposes to amend paragraphs IG1 [...] and IG20B to remove the potential for confusion.

5. As discussed in [Agenda Paper 12H](#) for the February 2023 IASB meeting, there was no need for the IASB to propose transition requirements because the proposed amendments are to non-authoritative material accompanying IFRS 7.
6. Appendix A to this paper reproduces the proposed amendments to paragraphs IG1 and IG20B of the *Guidance on implementing IFRS 7*.

Summary of feedback

Introduction to the Guidance on implementing IFRS 7

7. Thirty-five respondents commented on the proposed amendment to paragraph IG1 of the *Guidance on implementing IFRS 7* to add a statement clarifying that the guidance does not illustrate all the requirements in IFRS 7. Almost all respondents agreed fully with the proposed amendment for the reasons set out in the Exposure Draft.
8. One accounting firm agreed that it would be useful to add a clarifying statement in paragraph IG1 but suggested alternative wording. This respondent said the proposed amendment to paragraph IG1 makes a generic statement that, collectively, not all the requirements in IFRS 7 are illustrated by the implementation guidance (IG) paragraphs that follow. This respondent suggested that the IASB amend paragraph IG1 to state, instead, that in the IG paragraphs that follow, not all the specific requirements of the paragraph that is referenced as being illustrated (for example, paragraph 35M of IFRS 7 in paragraph IG20C) are necessarily illustrated. This respondent said that if paragraph IG1 is made clearer, there would be no need to state in paragraph IG20B that there are omissions from the illustration.
9. One national standard-setter suggested that the IASB, when drafting new IFRS Accounting Standards or amending existing ones, consider the consistency of the ‘disclaimer language’ across illustrative examples (IEs) and IGs.

Credit risk disclosures in the Guidance on implementing IFRS 7

10. Thirty-five respondents commented on the proposed amendment to paragraph IG20B of the *Guidance on implementing IFRS 7* to simplify its wording. Almost all respondents agreed fully with the proposed amendment for the reasons set out in the Exposure Draft.
11. One accountancy body and one accounting firm said the proposed amendment does not change the fact that the example in paragraph IG20B does not illustrate the

requirements for financial assets that are purchased or originated credit-impaired and does not address the concerns of stakeholders about paragraph IG20C that led to the proposed amendment (see paragraph BC8 of the Basis for Conclusions on the proposed amendments reproduced in paragraph 4 of this paper). As a potential solution:

- (a) the accountancy body suggested that the IASB consider stating clearly the particular requirement(s) in the Accounting Standard that each IG or IE is illustrating, rather than referencing a paragraph in the Accounting Standard that contains several requirements; and
 - (b) the accounting firm suggested that the IASB include in every IG paragraph the current wording in paragraph IG20B that identifies the disclosures that are not illustrated. The accounting firm also made an alternative suggestion that is summarised in paragraph 8 of this paper.
12. One national standard-setter requested that the IASB add an IE about assets acquired with credit risk to the *Guidance on implementing IFRS 7* to provide additional guidance and improve understanding of the application of the Accounting Standard.

Staff analysis

Introduction to the Guidance on implementing IFRS 7

13. We agree with the suggestion, summarised in paragraph 8 of this paper, to amend paragraph IG1 to clarify that the paragraphs in the *Guidance on implementing IFRS 7* do not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. Amended paragraph IG1 would read (text added since the Exposure Draft is bolded and underlined):

IG1 This guidance suggests possible ways to apply some of the disclosure requirements in IFRS 7. The guidance does not necessarily illustrate all the requirements in the

referenced paragraph(s) of IFRS 7, nor does it create
additional requirements.

14. We considered whether making this additional wording change to paragraph IG1 in the *Guidance on implementing IFRS 7* might be viewed as contributing to a lack of consistency between introductory paragraphs in the IEs and IGs accompanying other IFRS Accounting Standards—particularly in the light of the suggestion from one respondent for the IASB to consider in future standard-setting projects the consistency of the ‘disclaimer language’ across IEs and IGs. We had discussed in [Agenda Paper 12H](#) for the February 2023 IASB meeting the variety we observe in the existing sets of IEs and IGs. Many IEs and IGs include some form of introductory paragraphs that explain the limitations of the examples, while many do not, and the existing introductory paragraphs are not all worded similarly. In our view, our revised suggested amendment to paragraph IG1 would serve to address questions raised by stakeholders and would not appreciably, if at all, add to the existing lack of consistency in ‘disclaimer language’ in IEs and IGs.
15. For the reasons set out in [Agenda Paper 12H](#) for the February 2023 IASB meeting, we continue to recommend not pursuing amendments to existing IEs and IGs on a broader basis solely to achieve consistency of ‘disclaimer language’.

Credit risk disclosures in the Guidance on implementing IFRS 7

16. In our view, the suggestions summarised in paragraph 11 of this paper are too broad to be considered as final amendments in the current cycle of annual improvements. Those suggested changes would affect IG and IE paragraphs beyond paragraphs IG1 and IG20B in the *Guidance on implementing IFRS 7*. Our recommended change to the wording of paragraph IG1, described in paragraph 13 of this paper, would make it less necessary to identify, in each example in the *Guidance on implementing IFRS 7*, the disclosures that are not illustrated.

17. We considered whether, in the light of our recommended change to the wording of paragraph IG1, we should remove from paragraph IG20B any reference to requirements that are not illustrated—including the simplified wording proposed in the Exposure Draft. Considering that almost all respondents supported the proposed amendment to paragraph IG20B and did not suggest changes, we recommend that the IASB finalise the amendment to paragraph IG20B as proposed.
18. In our view, the suggestion for the IASB to add an IE about assets acquired with credit risk (or the acquisition of assets that are credit-impaired) to the *Guidance on implementing IFRS 7* goes beyond the scope of this project. We therefore recommend no change.

Staff recommendation and question for the IASB

19. Based on our analysis in this agenda paper, we recommend that the IASB:
 - (a) finalise the proposed amendment to paragraph IG1 of the *Guidance on implementing IFRS 7* with a minor wording change as explained in paragraph 13 of this paper and shown in Appendix B to this paper; and
 - (b) finalise the proposed amendment to paragraph IG20B of the *Guidance on implementing IFRS 7* with no changes (see Appendix A to this paper).

Question for the IASB

Does the IASB agree with our recommendation:

- a. to finalise the proposed amendment to paragraph IG1 of the *Guidance on implementing IFRS 7* with a minor wording change as explained in paragraph 13 of this paper and shown in Appendix B to this paper; and
- b. to finalise the proposed amendment to paragraph IG20B of the *Guidance on implementing IFRS 7* with no changes?

Appendix A—Extract from the Exposure Draft for proposed amendments to paragraphs IG1 and IG20B of the *Guidance on implementing IFRS 7*

Paragraphs IG1 [...] and IG20B are amended. New text is underlined and deleted text is struck through.

This guidance accompanies, but is not part of, IFRS 7.

Introduction

IG1 This guidance suggests possible ways to apply some of the disclosure requirements in IFRS 7. The guidance does not illustrate all the requirements in IFRS 7, nor does it create additional requirements.

...

Nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)

...

Credit risk (paragraphs 35A–36, B8A–B10)

...

Illustrating the application of paragraphs 35H and 35I

IG20B The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets, other than financial assets that are purchased or originated credit-impaired, during the period that contributed to changes in the loss allowance as required by paragraphs 35H–35I. ~~This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.~~

Appendix B—Recommended revised amendment to paragraph IG1 of the *Guidance on implementing IFRS 7*

Paragraph IG1 is amended. New text is underlined.

This guidance accompanies, but is not part of, IFRS 7.

Introduction

IG1 This guidance suggests possible ways to apply some of the disclosure requirements in IFRS 7. The guidance does not necessarily illustrate all the requirements in the referenced paragraph(s) of IFRS 7, nor does it create additional requirements.

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