
IASB[®] meeting

Date	February 2024
Project	Amendments to the Classification and Measurement of Financial Instruments
Topic	Due process steps
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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*.

Purpose of this paper

1. The purpose of this paper is to:
 - (a) explain the steps in the [IFRS Foundation Due Process Handbook](#) (the *Due Process Handbook*) that the IASB has taken in developing the amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*;
 - (b) ask the IASB's permission to begin the process for balloting the amendments to IFRS 9 and IFRS 7; and
 - (c) ask if any IASB member plans to dissent from the publication of the final amendments to IFRS 9 and IFRS 7.
2. The paper is structured as follows:
 - (a) [background](#) (paragraphs 3–10);
 - (b) [considering re-exposure](#) (paragraphs 11–15);
 - (c) [intention to dissent](#) (paragraphs 16–17);
 - (d) [confirmation of due process steps](#) (paragraphs 18–19);
 - (e) [questions to the IASB](#); and

- (f) [appendix—due process steps](#).

Background

3. The project Amendments to the Classification and Measurement of Financial Instruments was initiated in response to feedback on the [Request for Information Post-implementation Review of IFRS 9—Classification and Measurement](#) (the RFI).
4. In May 2022, the IASB decided to start a standard-setting project to clarify particular aspects of the requirements in IFRS 9 for assessing the contractual cash flow characteristics of a financial asset.
5. In October 2022, the IASB decided to expand the scope of the project to include amendments to IFRS 9 and IFRS 7 relating to:
 - (a) the derecognition of financial assets and financial liabilities; and
 - (b) equity instruments and other comprehensive income.
6. In March 2023, the IASB published the Exposure Draft *Amendment to the Classification and Measurement of Financial Instruments* (the Exposure Draft). The Exposure Draft had the standard comment period of 120 days.
7. The IASB received 107 comment letters on the proposals in the Exposure Draft before the end of the comment period in July 2023.
8. The IASB discussed the feedback analysis on the Exposure Draft and voted on the finalisation of the proposed amendments relating to:
 - (a) derecognition of financial liabilities through electronic transfer (see [AP16 for November 2023](#));
 - (b) equity instruments and other comprehensive (see [AP16B for November 2023](#));
 - (c) general requirements for the assessment of contractual cash flows (see [AP16 for October 2023](#) and [AP16A for January 2024](#)); and

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- (d) financial assets with non-recourse features and contractually linked instruments (see [AP16B for January 2024](#)).
9. At this IASB meeting, the IASB is voting on the finalisation of:
- (a) the disclosure requirements relating to contractual terms that could change the contractual cash flows of financial assets and financial liabilities not measured at fair value through profit or loss (see AP16A); and
- (b) the effective date and transition requirements for the final amendments (see AP16B).
10. The staff has prepared this agenda paper based on the assumption that the IASB will be able to make decisions on all of those matters and decide to finalise the amendments to IFRS 9 and IFRS 7.

Considering re-exposure

11. We recommend that the IASB does not re-expose the amendments to IFRS 9 and IFRS 7. In making this recommendation, we have considered the requirements in paragraphs 6.25–6.29 of the *Due Process Handbook*.
12. Most respondents supported the proposals in the Exposure Draft. In particular, respondents highlighted the urgency of the clarifications to the assessment of contractual cash flows to assist with the classification of financial assets with ESG-linked and other similar features.
13. Nonetheless, many respondents raised some issues or suggested improvements for the IASB to consider before finalising the amendments. In the staff's view, none of the changes that the IASB have tentatively decided to make are fundamental and would require re-exposure. Paragraphs 14-15 sets out the most significant of these changes.
14. The IASB proposed in the Exposure Draft that for a change in contractual cash flows to be consistent with a basic lending arrangement, a contingent event that gives rise to such a change should be specific to the debtor. Respondents mentioned practical and

conceptual difficulties with this proposed requirement. In response, the IASB tentatively decided not to include this requirement in the final amendments but instead to clarify the existing guidance in paragraph B4.1.10A of the Exposure Draft by adding requirements for assessing whether the cash flows on a financial asset are solely payments of principal and interest on the principal amount outstanding (SPPI) when the nature of the contingent event is not directly related to a change in basic lending risks and costs. The added clarifications are consistent with the general principles for assessing SPPI and are also similar to other requirements that apply in cases where further analysis is required to assess whether the contractual cash flows of a financial asset are SPPI.

15. The staff recommend in AP16A for this meeting to narrow the scope of the disclosure requirements relating to contractual terms that could change the timing or amount of contractual cash flows. In the staff's view, this does not represent a fundamental change to the proposals in the Exposure Draft.

Intention to dissent

16. In accordance with paragraph 6.23 of the *Due Process Handbook*, the staff would like to ask whether any IASB member intends to dissent from the amendments.
17. No IASB member dissented from the Exposure Draft. Any IASB members who intend to dissent from the final amendments are asked to make their intention known at this meeting.

Confirmation of due process steps

18. The staff believe that the IASB has undertaken all of the due process activities identified as being required in the *Due Process Handbook* and hence are able to finalise the amendments. In Appendix to this paper, we have summarised the due process steps taken in developing the amendments to IFRS 9 and IFRS 7. We note

that the applicable due process steps to date for the issuance of the amendments have been completed.

19. If the IASB is satisfied that it has been provided with sufficient analysis, and has undertaken appropriate consultation and due process, to support the issue of the final amendments, the staff request permission to start the balloting process.

Questions to the IASB

Questions 1–3 for the IASB

1. *Re-exposure*—Does the IASB agree with the staff recommendation not to re-expose the proposals in the Exposure Draft as revised by IASB’s tentative decisions (paragraphs 11–15)?
2. *Dissent*—Does any IASB member intend to dissent from the publication of the amendments? If so, on what grounds (paragraph 16–17)?
3. *Permission to begin the balloting process*— is the IASB satisfied that it has complied with the applicable due process requirements and that it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments to IFRS 9 and IFRS 7?

Appendix —due process steps

The table below shows how the IASB has complied with the due process steps to date, as required to finalise an IFRS Standard in accordance with the *Due Process Handbook*.

Step	Required/Optional	Actions
Consideration of information gathered during consultation		
The IASB posts all of the comment letters that are received in relation to the Exposure Draft on the project pages.	Required	The IASB received 107 comments letters to the Exposure Draft before the end of the comment period, which can be accessed here .
Round-tables between external participants and members of the IASB.	Optional	Some of the proposed disclosure requirements included in the Exposure Draft were discussed with members of the Capital Markets Advisory Committee and the Global Preparers forum in June 2023. A summary of feedback from comment letters and outreach events was presented to and discussed by the IASB in September 2023. See AP16 Summary of feedback from comment letters
IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	Since the end of the consultation period, the IASB has discussed the feedback and redeliberated the proposals in the Exposure Draft in five meetings. All decisions with regards to the requirements of the amendments were taken during these meetings. The project page on the IFRS Foundation website contains a full description with up-to-date information. Papers for the meetings were posted before each meeting and a summary of each meeting was included in IASB <i>Update</i> .
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or on-going associated costs.	Required	Information relating to the likely effects of the amendments in the Exposure Draft were discussed in AP16C Due process steps . As there are no fundamental changes to the proposals in the Exposure Draft, this analysis of likely effects remains applicable. A discussion of the likely effects of the amendments will be incorporated in the amendments to the Basis for Conclusions on the IFRS 9 and IFRS 7.
Email alerts are issued to registered recipients.	Optional	Interested parties have been notified when updates to the project website have been made using the News section of the project page and subscriber email alerts.

Step	Required/Optional	Actions
Outreach meetings to promote debate and hear views on proposals that are published for public comment.	Optional	As the amendments in this project were in response to the feedback received on the post-implementation review of the classification and remeasurement requirements in IFRS 9 and related requirements in IFRS 7, the staff did not hold extensive outreach events.
Regional discussion forums are organised with national standard-setters and the IASB.	Optional	The staff did however have discussions with a number of stakeholders who have submitted comment letters and whose views have been incorporated in the feedback on the Exposure Draft.
Finalisation		
Due process steps are reviewed by the IASB.	Required	This paper asks the IASB to review the due process steps taken and whether the IASB is satisfied that it has complied with all the applicable requirements. This paper will be provided to the DPOC.
Need for re-exposure of a Standard is considered.	Required	The staff think that the revisions to the Exposure Draft respond to the feedback received and do not think that re-exposure would reveal any new information. In this paper the staff provide its rationale for recommending that the IASB does not re-expose the proposed standard for another round of public comment.
The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.	Required	As a necessary step before beginning the balloting process, at this month's meeting (see Agenda Paper 16B <i>Effective date and transition</i>), the staff have recommended an effective date for the amendments for the IASB to decide.
Drafting		
Drafting quality assurance steps are adequate.	Required	This step will be completed toward the end of the project.
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Drafting quality assurance steps are adequate.	Optional	The Editorial team will review the amendments in different stages of the balloting process. The staff intend to send a draft of the amendments to external parties for review. This process allows external parties to review and report back to the staff on the clarity and understandability of the draft, mainly with editorial comments. The external review process does not grant external parties the opportunity to question the IASB's technical decisions.

Step	Required/Optional	Actions
Publication		
Press release to announce final Standard.	Required	<p>This step will be completed toward the end of the project.</p> <p>The project team will work with the Communications team to plan and prepare a press release for the amendments.</p>
A Feedback Statement is provided, which provides high level executive summaries of the Standard and explains how the IASB has responded to the comments received.	Required	<p>Not considered necessary because these amendments are narrow in scope. According to paragraph 6.38 of the Due Process Handbook, a Feedback Statement is required for all new IFRS Standards and major amendments. The amendments to the Basis for Conclusions on IFRS 9 and IFRS 7 will explain how the IASB has responded to the comments received</p>
Podcast to provide interested parties with high level updates or other useful information about the Standard.	Optional	<p>Updates about the project were provided in some of the IASB podcasts produced by the IFRS Foundation after each IASB meeting.</p>
Standard is published.	Required	<p>The new amendments will be made available on the IFRS Foundation website when published. The DPOC will be informed when the amendments are published.</p>