

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **EFRAG's Research project Equity instruments – Impairment and Recycling: Outline of the forthcoming EFRAG Phase 2 publication Issues Paper**

### **Objective**

- 1 The objective of this paper is to consider the outline of the forthcoming EFRAG Phase 2 publication on the project.

### **Outline of the EFRAG publication**

#### *Chapter 1: Executive summary*

#### *Chapter 2: Background*

- What is the issue (summary of EFRAG's concerns in relation to IFRS 9 and long-term investing)
- Current and future IFRS Standards requirements
  - The basis for the IASB decisions
- Summary of evidence collected (refer to Phase 1 report)
- Objective of this paper
- Premises
  - Fair value measurement
  - FVOCI option

#### *Chapter 3: Importance of recycling and impairment*

- Long-term business model and measuring performance
- Interrelation between recycling and impairment

#### *Chapter 4: Alternative approaches*

- Two 'bright-line' choices:
  - A more rigorous Available for Sale impairment model
  - Dual measurement model
- Other alternatives
  - Identifying sub-set of investments
  - Presentation alternatives

*Chapter 5: Other considerations*

- Rebuttable presumptions to a bright line approach
- Unit of account – individual investment or portfolio
- Unit of account – cost basis
- Reversal of impairment losses
- Interrelation with hedging requirements
- Other

*Chapter 6: Presentation and disclosure*

*Appendix: Notion of impairment under accounting standards*

- How is 'impairment' defined in IFRS Standards
- Approaches in other jurisdictions (US, Japan)

**Question for EFRAG TEG**

- 2 Does EFRAG TEG have any comments on the proposed table of contents of the forthcoming EFRAG Phase 2 publication on the project? Do you think there are other aspects that should be addressed?