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PIR IFRS 9 *Classification and Measurement* Cover Note

Objective

- 1 To provide the EFRAG FR TEG members with an update on the recent IASB discussions on various aspects of the PIR of IFRS 9 *Classification and Measurement* and to obtain the EFRAG FR TEG members' views on the topics of:
 - (a) other matters not previously considered by the IASB within PIR of IFRS 9;
 - (b) the application of the business model requirements to the classification of financial assets;
 - (c) possible narrow-scope amendment for the electronic cash transfers; and
 - (d) equity instruments and OCI presentation option.

Background of the IASB recent discussions

- 2 At its September 2022 meeting the IASB continued analysing feedback on the classification and measurement requirements in IFRS 9 *Financial Instruments*.
- 3 The IASB considered six matters raised in the feedback about how entities would apply requirements not specifically covered in the RFI for PIR of IFRS 9 - *Classification and Measurement*:
 - (a) application of the derecognition requirements to financial assets;
 - (b) cash received via electronic transfer as settlement for a financial asset;
 - (c) contracts to buy or sell non-financial items;
 - (d) accounting for transaction costs on equity investments for which an entity has elected to present changes in fair value in other comprehensive income;
 - (e) financial assets and financial liabilities held for trading; and
 - (f) purchased or originated credit-impaired financial assets.
- 4 The IASB also considered feedback from the ASAF on two application questions about the requirements in IFRS 9 to assess the contractual cash flow characteristics of a financial asset.
- 5 The IASB decided to consider the matter described in subparagraph (f) when it analyses feedback on the upcoming PIR of the impairment requirements in IFRS 9; but to take no further action on the other matters listed or on the two application questions considered by ASAF.
- 6 At the same meeting the IASB considered the IFRS IC discussions and respondents' comments on the submission *Cash Received via Electronic Transfer*

as Settlement for a Financial Asset (IFRS 9 Financial Instruments) and decided to explore narrow-scope standard-setting as part of its PIR of IFRS 9.

- 7 At its October meeting, the IASB considered three topics of the PIR of IFRS 9 *Classification and Measurement*:
 - (a) equity instruments and OCI presentation option;
 - (b) the application of the business model requirements to the classification of financial assets; and
 - (c) possible narrow-scope amendment for the electronic cash transfers.
- 8 On the first topic the IASB agreed with the IASB staff conclusion that no new evidence was provided to justify a change and recommendation not to make any changes to the existing requirements in IFRS 9 in respect of equity instruments and FVOCI.
- 9 However, to address concerns that the current disclosure requirements in IFRS 7 may not provide all the useful information that users might need, the IASB staff has recommended amendments to the disclosure requirements in IFRS 7.
- 10 On the second topic the IASB agreed with the IASB staff recommendation not to take any further action on the matters identified with regards to the business model requirements in IFRS 9.
- 11 On the last topic the IASB members supported the IASB staff recommendation for the accounting policy choice option and provided suggestions how to go forward.
- 12 The questions for this session will be asked in the relevant Agenda Papers.

Next steps

- 13 The EFRAG Secretariat will continue to monitor the IASB developments on the project and provide update to the EFRAG FR TEG and other working groups' members.

Agenda Papers

- 14 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 08-02 – PIR IFRS 9 CM Other Matters – Issues paper;
 - (b) Agenda paper 08-03 – PIR IFRS 9 CM Business Model Assessment – Issues paper;
 - (c) Agenda paper 08-04 – PIR IFRS 9 CM Electronic Cash Transfers – Issues paper; and
 - (d) Agenda paper 08-05 – PIR IFRS 9 CM Equity OCI – Issues paper.