International Accounting Standards Board®

Press Release

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IASB completes first phase of financial instruments accounting reform

The International Accounting Standards Board (IASB) issued today a new International Financial Reporting Standard (IFRS) on the classification and measurement of financial assets. Publication of the IFRS represents the completion of the first part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a new standard—IFRS 9 *Financial Instruments.* Proposals addressing the second part, the impairment methodology for financial assets were published for public comment at the beginning of November, while proposals on the third part, on hedge accounting, continue to be developed.

The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity – an objective endorsed by the Group of 20 leaders (G20) and other stakeholders internationally. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. Thus IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

The IASB has received broad support for its approach. This became evident during the unprecedented global scale of consultation and outreach activity it undertook in order to refine proposals contained within the exposure draft published in July 2009. Round-table discussions were held in Asia, Europe and the United States. Interactive webcasts, each attracting thousands of registered participants, have been held, often on a weekly basis. In addition, more than a hundred meetings have been held with interested parties around the world during the past four months.

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The views expressed to the IASB during its consultations resulted in the proposals being modified to address concerns raised and to improve the standard. For example, IFRS 9 requires the business model of an entity to be assessed first to avoid the need to consider the contractual cash flow characteristics of every individual asset. It requires reclassification of assets if the business model of an entity changes. The IASB changed the accounting that was proposed for structured credit-linked investments and for purchases of distressed debt. The IASB also addressed concerns expressed about the problems created by the mismatch in timings between the mandatory effective date of IFRS 9 and the likely effective date of a new standard on insurance contracts.

Furthermore, in response to suggestions made by some respondents, the IASB decided not to finalise requirements for financial liabilities in IFRS 9. The IASB has begun the process of giving further consideration to the classification and measurement of financial liabilities and it expects to issue final requirements during 2010.

A feedback statement providing comprehensive details of how the IASB has responded to comments received through the consultation process is available for download from http://go.iasb.org/ifrs9feedback.

The effective date for mandatory adoption of IFRS 9 *Financial Instruments* is 1 January 2013. Consistent with requests by the G20 leaders and others, early adoption is permitted for 2009 year-end financial statements.

Commenting on IFRS 9, Sir David Tweedie, Chairman of the IASB, said:

> We have delivered on our commitment to the G20 and stakeholders internationally to provide an improved financial instrument standard for the classification and measurement of financial assets for use in 2009. Benefiting from unprecedented levels of consultation with stakeholders around the world, the IASB has made significant changes in its initial proposals to improve the standard, provide enhanced transparency and respond to stakeholder concerns.

IFRS 9 *Financial Instruments* is available for *e*IFRS subscribers from today. Printed copies will be available shortly, at £15 plus shipping, from the IASC Foundation Publications Department. Those wishing to subscribe to *e*IFRSs should visit the online shop at www.iasb.org or contact:

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Notes for editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality, transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 15 full time members drawn from ten countries and a variety of professional backgrounds. By 2012 the IASB will be expanded to 16 members. Members are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of capital market authorities.