IFRIC Update

From the IFRS Interpretations Committee

IFRS

January 2016

Welcome to the IFRIC *Update*

IFRIC Update *is the newsletter of the IFRS Interpretations Committee ('the Interpretations Committee'). All conclusions reported are tentative and may be changed or modified at future Interpretations Committee meetings.*

Decisions become final only after the Interpretations Committee has taken a formal vote on an Interpretation or a Draft Interpretation, which is confirmed by the International Accounting Standards Board (IASB).

The Interpretations Committee met in London on **12 January 2016**, when it discussed:

- **Items on the current agenda:**
  - IAS 32 *Financial Instruments: Presentation*—Classification of liability for prepaid card in the issuer's financial statements (Agenda Paper 5)
- **Interpretations Committee's tentative agenda decision:**
  - IFRIC 12 *Service Concession Arrangements*—Payments made by an operator to a grantor in a service concession arrangement (Agenda Paper 9)
- **Other matters:**
  - Interpretations Committee work in progress update (Agenda Paper 10)
- **Interpretations Committee's agenda decisions:**
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—To what extent can an impairment loss be allocated to non-current assets within a disposal group?
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—How to present intragroup transactions between continuing and discontinued operations
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Other various IFRS 5-related issues
  - IFRS 9 *Financial Instruments*—Transition issues relating to hedging
  - IFRS 11 *Joint Arrangements*—Remeasurement of previously held interests
  - IAS 12 *Income Taxes*—Recognition of deferred taxes for the effect of exchange rate changes
  - IAS 39 *Financial Instruments: Recognition and Measurement*—Separation of an embedded floor from a floating rate host contract in a negative interest rate environment

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Future IFRS Interpretations Committee meetings

The next meetings are:

22 and 23 March 2016
10 and 11 May 2016
12 July 2016
6 and 7 September 2016
8 and 9 November 2016

Meeting dates, tentative agendas and additional details about the next meeting will be posted to the IASB **website** before the meeting. Further information about the activities of the IFRS Interpretations Committee can be found **here**. Instructions for submitting requests for Interpretations are given on the IASB website **here**.

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Items on the current agenda

At this meeting, the Interpretations Committee discussed the following items on its current agenda:

IAS 32 *Financial Instruments: Presentation*—Classification of liability for a prepaid card in the issuer's financial statements (Agenda Paper 5)

The Interpretations Committee discussed how an entity would classify the liability when it issues a prepaid card and how the entity would account for the unspent balance of such a card. Specifically, the Interpretations Committee discussed a prepaid card with the following features:

(a) no expiry date;

(b) cannot be refunded, redeemed or exchanged for cash;

(c) redeemable only for goods or services;

(d) redeemable only at selected merchants (which may include the entity, but it is not redeemable only with the entity) and, depending upon the card programme, the range of merchants with which it can be redeemed ranges from a single third-party merchant to all merchants that accept a specific card network. Upon redemption by the cardholder at a merchant(s) to purchase goods or services, the entity has a contractual obligation to pay cash to the merchant(s);

(e) no back-end fees, which means that the balance on the prepaid card does not reduce unless spent by the cardholder; and

(f) is not issued as part of a customer loyalty programme.

The Interpretations Committee was asked to consider whether the liability for the prepaid card is a non-financial liability, because the entity does not have an obligation to deliver cash to the cardholder.

At its September 2015 meeting, the Interpretations Committee observed that the liability of the entity for the prepaid card meets the definition of a financial liability. This is because the entity has a contractual obligation to deliver cash to the merchants on behalf of the cardholder, which is conditional upon the cardholder using the prepaid card to purchase goods or services, and the entity does not have an unconditional right to avoid delivering cash to settle this contractual obligation. The Interpretations Committee observed that even if redemption with the entity is one possibility, the entity's obligation is still a financial liability because the entity does not have an unconditional right to avoid delivering cash when the cardholder redeems the prepaid card at a third-party merchant(s). Consequently, an entity that issues such a card should apply the requirements in IFRS 9 *Financial Instruments* (IAS 39 *Financial Instruments: Recognition and Measurement)* to determine whether and when to derecognise the liability for a prepaid card.

The Interpretations Committee tentatively concluded at its September 2015 meeting that in the light of the existing requirements in IAS 32 *Financial Instruments: Presentation* and IFRS 9 (IAS 39), neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee tentatively decided not to add this issue to its agenda.

At this meeting the staff presented an analysis of the comments received on the tentative agenda decision. In the light of the comments received, a number of Interpretations Committee members suggested narrowing the scope of this issue to the fact pattern included in the original submission, ie one in which the card could not be redeemed with the entity. Some Interpretations Committee members observed that it might be useful to:

- consider the interaction of IFRS 15 *Revenue from Contracts with Customers* with IFRS 9 (IAS 39) to confirm the relevant Standard to apply in accounting for the fact pattern, and
- review the analysis of how the requirements in IFRS 9 (IAS 39) apply to this transaction and consider the interaction with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Interpretations Committee asked the staff to bring back a summary of its past discussions, together with an analysis of the interaction between different Standards that may apply to the accounting for such prepaid cards.

Next steps

The staff will present its analysis at a future meeting of the Interpretations Committee.

Interpretations Committee's tentative agenda decision

The Interpretations Committee reviewed the following matter and tentatively decided that it should not be added to its agenda. This tentative decision, including recommended reasons for not adding the item to the Interpretations Committee's agenda, will be reconsidered at the Interpretations Committee meeting in May 2016. Interested parties who disagree with the proposed reasons, or believe that the explanations may contribute to divergent practices, are encouraged to email those concerns by 25 March 2016 to ***ifric@ifrs.org****. Correspondence will be placed on the public record unless the writer requests confidentiality, supported by good reason, such as commercial confidence.*

IFRIC 12 *Service Concession Arrangements*—Payments made by an operator to a grantor in a service concession arrangement (Agenda Paper 9)

The Interpretations Committee received a request to clarify the accounting for contractual payments that are to be made by an operator to a grantor under a service concession arrangement within the scope of IFRIC 12

Service Concession Arrangements.

The Interpretations Committee discussed this issue at several meetings. The Interpretations Committee observed that in some cases, the operator may be acting as an agent with respect to the contractual payments. For example, the operator may collect payments on behalf of, and remit them to, the grantor. The Interpretations Committee observed that in cases in which the operator is acting as a principal with respect to the contractual payments:

(a) If the contractual payments give the operator a right to a good or service that is separate from the service concession arrangement, the operator would account for that separate good or service in accordance with the applicable Standard.

(b) If the contractual payments are linked to the right to use a tangible asset that is separate from the infrastructure, the operator would assess whether the arrangement contains a lease. If the arrangement contains a lease, that portion of the arrangement would be considered to be within the scope of the applicable Standard on leases.

(c) If the contractual payments do not give the operator a right to a separate good or service or a separate right of use that meets the definition of a lease, the contractual terms of the service concession arrangement would determine the accounting for the contractual payments to be made by the operator to the grantor:

  (i) if the service concession arrangement results in the operator having only a contractual right to receive cash from the grantor (ie the financial asset model in IFRIC 12 applies), the Interpretations Committee observed that the grantor is no different from a customer in a revenue arrangement. Consequently, the contractual payments would be accounted for in accordance with the guidance on consideration payable to a customer in paragraphs 70-72 of IFRS 15 *Revenue from Contracts with Customers*;

  (ii) if the service concession arrangement results in the operator having only a right to charge users of the public service (ie the intangible asset model in IFRIC 12 applies), the Interpretations Committee observed that the operator has received an intangible asset (ie the right to charge the users of the public service) in exchange for construction/upgrade services and the contractual payments to the grantor. Consequently, the Interpretations Committee noted that the contractual payments represent additional consideration for the intangible asset (ie part of the cost of the intangible asset recognised in accordance with IAS 38); and

  (iii) if the operator has both a right to charge users of the public service and a contractual right to receive cash from the grantor, the entity should consider the substance of the contractual payments to determine whether it represents consideration for the concession right intangible asset or if it should be accounted for as consideration payable to the customer.

The Interpretations Committee noted that the payments to be made by an operator may be variable payments, and that the events that trigger those variable payments may in some cases be within the control of the operator and in other cases may be outside the control of the operator. The Interpretations Committee noted that accounting for variable payments to be made by the operator in a service concession arrangement, when the intangible asset model in IFRIC 12 applies, is linked to the broader issue of accounting for variable payments for asset purchases. In its discussions on that broader issue, the Interpretations Committee could not reach a consensus on whether the variable payments that depend on the purchaser's future activity should be recognised as a liability before that activity is performed or on what the initial measurement of this liability should be. In the case of the broader issuer on variable payments for asset purchases, the Interpretations Committee concluded that the issue was too broad for it to address.

Some members of the Interpretations Committee were of the view that service concession arrangements represent a unique type of arrangement, because the operator typically has an ongoing contractual obligation to provide the service. These members thought that a solution could be developed to address the accounting for payments to be made by an operator to a grantor without the need to address the broader issue of variable payments for asset purchases.

However, on balance, the Interpretations Committee concluded that addressing service concession arrangements that included such variable payments would also be too broad for it to address. The Interpretations Committee [decided] not to take the issue of accounting for payments by an operator to a grantor in a service concession arrangement onto its agenda.

Other matters

Interpretations Committee work in progress update (Agenda Paper 10)

The Interpretations Committee received a report on three new issues and five ongoing issues for consideration at future meetings. The report also included an issue that is on hold and that will be considered again at future meetings.

Interpretations Committee agenda decisions

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—To what extent can an impairment loss be allocated to non-current assets within a disposal group?

The Interpretations Committee received a request to clarify a measurement requirement of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Specifically, the question was whether the allocation of an impairment loss recognised for a disposal group can reduce the carrying amount of non-current assets that are within the scope of the measurement requirements of IFRS 5 to an amount that is lower than their fair value less costs of disposal or their value in use. In analysing this issue, the Interpretations Committee considered a situation in which the carrying amount of such non-current assets is not less than the amount of the impairment loss, and did not consider the implications for allocating an impairment loss if that loss exceeds the carrying amount of such non-current assets.

The Interpretations Committee noted that paragraph 23 of IFRS 5 addresses the recognition of impairment losses for a disposal group. It also noted that in determining the order of allocation of impairment losses to non-current assets that are within the scope of the measurement requirements of that Standard, paragraph 23 refers to paragraphs 104 and 122 of IAS 36 *Impairment of Assets*, which set out requirements regarding the order of allocation of impairment losses. However, it does not refer to paragraph 105 of IAS 36, which restricts the impairment losses allocated to individual assets by requiring that an asset is not written down to less than the higher of its fair value less costs of disposal, its value in use and zero. Consequently, the Interpretations Committee observed that the restriction in paragraph 105 of IAS 36 does not apply when allocating an impairment loss for a disposal group to the non-current assets that are within the scope of the measurement requirements of IFRS 5. The Interpretations Committee understood this to mean that the amount of impairment that should be recognised for a disposal group would not be restricted by the fair value less costs of disposal or value in use of those non-current assets that are within the scope of the measurement requirements of IFRS 5.

In the light of existing IFRS requirements, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—How to present intragroup transactions between continuing and discontinued operations

The Interpretations Committee received a request to clarify how to present intragroup transactions between continuing and discontinued operations.

The submitter points out that paragraph 30 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requires an entity to present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups). However, IFRS 5 does not provide specific requirements on how to eliminate intragroup transactions between continuing and discontinued operations.

The Interpretations Committee noted that neither IFRS 5 nor IAS 1 *Presentation of Financial Statements* includes requirements regarding the presentation of discontinued operations that override the consolidation requirements in IFRS 10 *Consolidated Financial Statements*. The Interpretations Committee also noted that paragraph B86(c) of IFRS 10 requires elimination of, among other things, income and expenses relating to intragroup transactions, and not merely intragroup profit. Consequently, the Interpretations Committee observed that not eliminating intragroup transactions would be inconsistent with the elimination requirements of IFRS 10.

The Interpretations Committee also noted that paragraph 30 of IFRS 5 requires an entity to present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposal activity. In the light of this objective, the Interpretations Committee observed that, depending on the particular facts and circumstances, an entity may have to provide additional disclosures in order to enable users to evaluate the financial effects of discontinued operations.

The Interpretations Committee noted that IFRS 5 was described as a possible research project in the Request for Views on the 2015 *Agenda Consultation* published by the IASB in August 2015. In the light of this, the Interpretations Committee thought that the issue of how an entity should disaggregate consolidated results between continuing and discontinued operations in a way that reflects elimination of intragroup transactions would be better considered as part of such a project.

Consequently, the Interpretations Committee decided not to add this issue to its agenda.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Other various IFRS 5-related issues

The Interpretations Committee has received and discussed a number of issues relating to the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requirements at several meetings. Those issues relate to various aspects of IFRS 5 and include the following:

Scope

(a) the scope of the held-for-sale classification—paragraph 6 of IFRS 5 requires a non-current asset (or disposal group) to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The issue relates to whether particular types of planned loss of control events, besides loss of control through sale or distribution, can result in a held-for-sale classification, such as loss of control of a subsidiary due to dilution of the shares held by the entity, call options held by a non-controlling shareholder or a modification of a shareholders' agreement.

(b) accounting for a disposal group consisting mainly of financial instruments—paragraph 5 of IFRS 5 states that the measurement requirements of IFRS 5 do not apply to financial assets within the scope of IFRS 9 *Financial Instruments*. The issue relates to whether IFRS 5 applies to a disposal group that consists mainly, or entirely, of financial instruments.

Measurement

(c) impairment of a disposal group—paragraph 15 of IFRS 5 requires a disposal group to be measured at the lower of its carrying amount and its fair value less costs to sell, whereas paragraph 23 requires the impairment loss recognised for a disposal group to be allocated to the carrying amount of the non-current assets that are within the scope of the measurement requirements of IFRS 5. The issue relates to a situation in which the difference between the carrying amount and the fair value less costs to sell of a disposal group exceeds the carrying amount of non-current assets in the disposal group. Should the amount of the impairment loss recognised be limited to the carrying amount of:

    (i) non-current assets that are within the scope of the measurement requirements of IFRS 5;

    (ii) the net assets of a disposal group;

    (iii) the total assets of a disposal group; or

    (iv) the non-current assets and in this case the entity would recognise a liability for any excess?

(d) reversal of an impairment loss relating to goodwill in a disposal group—paragraph 22 of IFRS 5 requires the recognition of a gain for a subsequent increase in the fair value less costs to sell of a disposal group. The issue relates to a situation in which goodwill within the disposal group had previously been impaired. Specifically, the question relates to whether an impairment loss previously allocated to goodwill can be reversed.

Presentation

(e) how to apply the definition of 'major line of business' in presenting discontinued operations—in accordance with paragraph 32 of IFRS 5, a component of an entity that has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations is a discontinued operation. The issue relates to how to interpret the definition of 'discontinued operation', especially with regard to the notion of 'separate major line of business or geographical area of operations' as described in paragraph 32 of IFRS 5.

(f) how to apply the presentation requirements in paragraph 28 of IFRS 5—paragraph 28 requires the effects of a remeasurement (upon ceasing to be classified as held for sale) of a non-current asset to be recognised in profit or loss in the current period. Paragraph 28 also requires financial statements for the periods since classification as held for sale or as held for distribution to owners to be 'amended accordingly' if the disposal group or non-current asset that ceases to be classified as held for sale or as held for distribution to owners is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The issue relates to a situation in which a disposal group that consists of both a subsidiary and other non-current assets ceases to be classified as held for sale. In such a situation, should an entity recognise the remeasurement adjustments relating to the subsidiary and the other non-current assets in different accounting periods, and should any amendment apply to presentation as well as to measurement?

(g) how to present intragroup transactions between continuing and discontinued operations—paragraph 30 of IFRS 5 requires an entity to present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups). The issue relates to how best to eliminate and reflect transactions between continuing and discontinued operations on the face of the statement of profit or loss, when there are significant transactions between them. Should the intragroup transactions:

(i) be eliminated without any adjustments; or

(ii) be eliminated, with adjustments to illustrate how transactions between continuing or discontinued operations are expected to be affected in the future?

Because of the number and variety of unresolved issues, the Interpretations Committee concluded that a broad-scope project on IFRS 5 might be warranted. In this respect, the Interpretations Committee noted that IFRS 5 was described as a possible research project in the Request for Views on the 2015 *Agenda Consultation* published by the IASB in August 2015. Consequently, the Interpretations Committee decided not to add these issues to its agenda.

IFRS 9 *Financial Instruments*—Transition issues relating to hedging

The Interpretations Committee received a request for guidance in respect of two issues pertaining to hedge designation and hedge accounting in situations in which an entity makes the transition from IAS 39 *Financial Instruments: Recognition and Measurement* to IFRS 9 *Financial Instruments*.

More specifically, the Interpretations Committee has been asked to consider:

(a) whether an entity can treat a hedging relationship as a continuing hedging relationship on transition from IAS 39 to IFRS 9 if the entity changes the hedged item in a hedging relationship from an entire non-financial item (as permitted by IAS 39) to a component of the non-financial item (as permitted by IFRS 9) in order to align the hedge with the entity's risk management objective (Issue 1); and

(b) whether an entity can continue with its original hedge designation of the entire non-financial item on transition to IFRS 9 when the entity's risk management objective is to hedge only a component of the non-financial item (Issue 2).

In relation to Issue 1, the Interpretations Committee noted that when an entity changes the hedged item in a hedging relationship from an entire non-financial item to a component of the non-financial item upon transition to IFRS 9, it is required to do so on a prospective basis as described in paragraph 7.2.22 of IFRS 9. The Interpretations Committee also noted that changing the hedged item while continuing the original hedge relationship would be equivalent to the retrospective application of the hedge accounting requirements in IFRS 9, which is prohibited except in the limited circumstances described in paragraph 7.2.26 of IFRS 9. The Interpretations Committee observed that in the example presented in Issue 1, the exceptions in paragraph 7.2.26 do not apply and therefore the original hedge relationship could not be treated as a continuing hedge relationship on transition to IFRS 9.

In relation to Issue 2, the Interpretations Committee observed that:

(a) paragraphs BC6.97, BC6.98 and BC6.100 of IFRS 9 support the use of hedge designations that are not exact copies of actual risk management ('proxy hedging') as long as they reflect risk management in that they relate to the same type of risk that is being managed and the same type of instruments that are being used for that purpose; and

(b) the use of proxy hedging in cases in which it reflects the entity's risk management (that is, where it relates to the same type of risk that is being managed and the same type of instruments that are being used for that purpose) did not appear to be restricted to instances in which IFRS 9 had prohibited an entity from designating hedged items in accordance with its actual risk management.

As a result, the Interpretations Committee noted that hedge designations of an entire non-financial item could continue on transition to IFRS 9 as long as they meet the qualifying criteria in IFRS 9.

In the light of existing IFRS requirements, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.

IFRS 11 *Joint Arrangements*—Remeasurement of previously held interests

The Interpretations Committee discussed whether previously held interests in the assets and liabilities of a joint operation should be remeasured in the following transactions when the asset or group of assets involved in such transactions do not meet the definition of a business in accordance with IFRS 3 *Business Combinations*:

(a) obtaining control of a joint operation when the entity previously had joint control of, or was a party to, the joint operation before the transaction; and

(b) a change of interests resulting in a party to a joint operation obtaining joint control over the joint operation. The party to the joint operation had rights to the assets and obligations for the liabilities relating to the joint operation before the transaction.

The Interpretations Committee noted that paragraph 2(b) of IFRS 3 explains the requirements for accounting for an asset acquisition in which the asset or group of assets do not meet the definition of a business. The Interpretations Committee noted that paragraph 2(b) of IFRS 3 specifies that a cost-based approach should be used in accounting for an asset acquisition, and that in a cost-based approach the existing assets are generally not remeasured. The Interpretations Committee also observed that it was not aware of significant diversity in practice and, therefore, decided not to add this issue to its agenda.

IAS 12 *Income Taxes*—Recognition of deferred taxes for the effect of exchange rate changes

The Interpretations Committee received a submission regarding the recognition of deferred taxes when the tax bases of an entity's non-monetary assets and liabilities are determined in a currency that is different from its functional currency. The question is whether deferred taxes that result from exchange rate changes on the tax bases of non-current assets are recognised through profit or loss.

The Interpretations Committee noted that paragraph 41 of IAS 12 *Income Taxes* states that when the tax base of a non-monetary asset or liability is determined in a currency that is different from the functional currency, temporary differences arise resulting in a deferred tax asset or liability. Such deferred tax does not arise from a transaction or event that is recognised outside profit or loss and is therefore charged or credited to profit or loss in accordance with paragraph 58 of IAS 12. Such deferred tax charges or credits would be presented with other deferred taxes, instead of with foreign exchange gains or losses, in the statement of profit or loss.

The Interpretations Committee also noted that paragraph 79 of IAS 12 requires the disclosure of the major components of tax expense (income). The Interpretations Committee observed that when changes in the exchange rate are the cause of a major component of the deferred tax charge or credit, an explanation of this in accordance with paragraph 79 of IAS 12 would help users of financial statements to understand the tax expense (income) for the period.

In the light of existing IFRS requirements, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.

IAS 39 *Financial Instruments: Recognition and Measurement*—Separation of an embedded floor from a floating rate host contract

The Interpretations Committee received a request to clarify the application of the embedded derivative requirements of IAS 39 *Financial Instruments: Recognition and Measurement* in a negative interest rate environment. Specifically, the Interpretations Committee considered:

(a) whether paragraph AG33(b) of IAS 39 should apply to an embedded interest rate floor in a floating rate host debt contract in a negative interest rate environment; and

(b) how to determine the 'market rate of interest' referred to in that paragraph.

The Interpretations Committee observed that:

(a) paragraph AG33(b) of IAS 39 should be applied to an interest rate floor in a negative interest rate environment in the same way as it would be applied in a positive interest rate environment;

(b) when applying paragraph AG33(b) of IAS 39, in a positive or negative interest rate environment, an entity should compare the overall interest rate floor (ie the benchmark interest rate referenced in the contract plus contractual spreads and if applicable any premiums, discounts or other elements that would be relevant to the calculation of the effective interest rate) for the hybrid contract to the market rate of interest for a similar contract without the interest rate floor (ie the host contract); and

(c) in order to determine the appropriate market rate of interest for the host contract, an entity is required to consider the specific terms of the host contract and the relevant spreads (including credit spreads) appropriate for the transaction.

In making these observations, the Interpretations Committee noted the following:

(a) paragraph AG33(b) of IAS 39 makes no distinction between positive and negative interest rates and, therefore, the requirements of that paragraph should be applied consistently in both cases;

(b) paragraph AG33(b) of IAS 39 requires an entity to identify whether an embedded interest rate floor is closely related to a host debt contract and makes no reference to individual components of an embedded interest rate floor (such as the benchmark interest rate); and

(c) the term 'market rate of interest' is linked to the concept of fair value as defined in IFRS 13 *Fair Value*

Measurement and is described in paragraph AG64 of IAS 39 as the rate of interest 'for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating'.

The Interpretations Committee also observed that paragraphs B4.3.8(b) and B5.1.1 of IFRS 9 *Financial Instruments* replicate the requirements of paragraphs AG33(b) and AG64 of IAS 39 respectively. Consequently, the observations noted in this agenda decision would be equally applicable to financial liabilities accounted for in accordance with IFRS 9.

In the light of the existing IFRS requirements, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.

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