European Financial Reporting Advisory Group (EFRAG) and the Institute of Chartered Accountants of Scotland (ICAS). The session was led by academics who had prepared the review.

No decisions were made.

Agriculture: Bearer plants

The IASB discussed a summary of the feedback received on the IASB Exposure Draft ED/2013/8 *Agriculture: Bearer Plants* (Proposed amendments to IAS 16 and IAS 41). The meeting was educational in nature and the IASB was not asked to make any decisions.

IASB Januar 2014

Financial Instruments: Classification and Measurement (Limited amendments)

The IASB discussed the remaining aspects of its proposals in the Exposure Draft ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* (Proposed amendments to IFRS 9 (2010)) (the 'Limited amendments ED').

Agenda Paper 6A: Interaction between the classification and measurement of financial assets and the accounting for insurance contracts liabilities

The IASB discussed the interaction between the classification and measurement of financial assets under IFRS 9 *Financial Instruments* (including the tentative decisions made in redeliberating the Limited Amendments ED) and the accounting for insurance contracts liabilities under the Exposure Draft ED/2013/7 *Insurance Contracts* (the '2013 Insurance Contracts ED'), including the feedback received on that interaction. The IASB noted that the proposals in the Limited Amendments ED that were tentatively reaffirmed in the redeliberations – specifically the introduction of the fair value through other comprehensive income (FVOCI) measurement category for financial assets that reflects the 'hold and sell' business model and the extension of the fair value option to financial assets that would otherwise be measured at FVOCI – are relevant to many entities that hold insurance contracts and result in an improved interaction. These tentative decisions also provide a 'toolkit' that the IASB can consider when finalising the accounting model for insurance contracts liabilities. The IASB also noted that it will consider the feedback related to the accounting model for the insurance contracts liabilities, and whether that model should be modified to reflect the interaction with the classification and measurement for financial assets, when redeliberating the 2013 Insurance Contracts ED.

Agenda Paper 6B: Presentation and Disclosure

The IASB discussed the presentation and disclosure proposals in the Limited amendments ED and the feedback received on those proposals. The IASB tentatively decided to confirm those proposals, specifically:

a. paragraph 12B of IFRS 7 *Financial Instruments: Disclosures* will be extended to reclassifications into and out of the FVOCI measurement category;
b. paragraph 12C of IFRS 7 will be extended to reclassifications from the fair value through profit or loss (FVPL) measurement category into the FVOCI measurement category;
c. paragraph 12D of IFRS 7 will be extended to:
    i. reclassifications from the FVPL measurement category into the FVOCI measurement category; and
    ii. reclassifications from the FVOCI measurement category into the amortised cost measurement category.
d. paragraph 82 in IAS 1 *Presentation of Financial Statements* will be amended to require the presentation of any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss when a financial asset

is reclassified from the FVOCI measurement category into the FVPL measurement category; and

e. the judgement involved in the assessment of a financial asset's contractual cash flow characteristics will be added to paragraph 123 of IAS 1 as an example of a judgement that could have a significant effect on the amounts recognised in the financial statements.

Sixteen IASB members agreed.

Agenda Paper 6C: Transition to IFRS 9—presentation of comparative information by first-time adopters of IFRS and the early application of IFRS 9

The IASB discussed the presentation of comparative information by first-time adopters of IFRS (FTAs) and tentatively decided that:

a. FTAs will not be required to present comparative information that complies with the completed version of IFRS 9 if the beginning of their first IFRS reporting period is earlier than the mandatory effective date of IFRS 9 plus one year; and
b. if an FTA chooses to present comparative information that does not comply with the completed version of IFRS 9, it will be required to provide the same disclosures that were required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* for an FTA that transitioned to IFRS 9 (2009) or IFRS 9 (2010) and that chose not to present comparative information that complied with those new Standards. Those disclosures are set out in paragraph E2 of IFRS 1.

Sixteen IASB members agreed.

The IASB discussed the early application by both existing IFRS preparers and FTAs of both the completed and the previous versions of IFRS 9 and tentatively decided that

a. entities will be permitted to early apply the completed version of IFRS 9; and
b. entities will not be permitted to early apply a previous version of IFRS 9 if their date of initial application is six months or more after the completed version of IFRS 9 is issued. (However, if an entity has early applied a previous version of IFRS 9 before the 'six month window' expires, the entity is permitted to continue to apply that version until the completed version of IFRS 9 becomes mandatorily effective.)

Fourteen IASB members agreed.

Agenda Paper 6D: Transition to IFRS 9—application of particular classification and measurement requirements and a transition issue on impairment

The IASB discussed the transition to the completed version of IFRS 9 and tentatively decided that:

a. if it is impracticable (as defined by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors)* on transition to IFRS 9 for an entity to assess a modified time value of money component of an asset's interest rate based on the facts and circumstances that existed at the initial recognition of the financial asset, then the entity must assess the contractual cash flow characteristics of that financial asset without taking into account the specific requirements related to the modification of the asset's interest rate. In addition, in those cases, the entity will be required to disclose the carrying value of the financial assets until those assets are derecognised.
b. if it is impracticable (as defined by IAS 8) on transition to IFRS 9 for an entity to assess whether the fair value of a prepayment feature was insignificant at the initial recognition of a financial asset that was originated (or acquired) with a significant premium or discount and is prepayable at par (plus accrued and unpaid interest), an entity shall assess the contractual cash flow characteristics of that financial asset without taking into account the specific exception for prepayment features. In addition, in those cases the entity will be required to disclose the carrying value of the financial assets until those assets are derecognised.
c. entities that have already applied a previous version of IFRS 9 and are subsequently applying the completed version of IFRS 9 will be:

    i. required to revoke previous fair value option designations if an accounting mismatch no longer exists at initial application of the completed version of IFRS 9 as a result of the amended classification and measurement requirements, but are not permitted to revoke previous fair value option designations if an accounting mismatch continues to exist; and
    ii. permitted to apply the fair value option to new accounting mismatches that are created by the initial application of the amended classification and measurement requirements in the completed version of IFRS 9, but are not permitted to newly apply the fair value option to accounting mismatches that already existed before the initial application of the completed version of IFRS 9.
d. the transition provisions on the initial application of the expected credit loss model that the IASB tentatively decided to require for existing IFRS preparers (see December *IASB Update*) should also be required for FTAs.

Sixteen IASB members agreed.

Next steps

The IASB will consider whether it has complied with its due process requirements. The IASB expects to issue the completed version of IFRS 9, which will include the limited amendments to the classification and measurement requirements, in the first half of 2014.

IASB Januar 2014

Financial Instruments: Impairment

The IASB met on 23 January 2014 to conclude its redeliberations on the clarifications and enhancements to the proposals in the Exposure Draft ED/2013/3 *Financial Instruments: Expected Credit Losses* (the 'Exposure Draft').

At this meeting, the IASB considered the proposed presentation and disclosure requirements in the Exposure Draft.

Agenda Paper 5A: Presentation and Disclosure

The IASB discussed the feedback received on the proposed presentation and disclosure requirements, and considered whether any changes to the requirements should be made.

Reconciliation

The IASB tentatively confirmed the proposals in the Exposure Draft to require a reconciliation between the opening balance to the closing balance of the loss allowance.

The IASB tentatively decided to retain the requirement to provide a reconciliation between the opening balance and closing balance of the gross carrying amount of financial assets. However, the IASB also tentatively decided to clarify that the objective of the reconciliation is to provide information only about the key drivers for changes in the gross carrying amount to the extent that the changes relate to changes in the loss allowance during the period.

Sixteen IASB members agreed with this decision.

Collateral

The IASB tentatively confirmed the proposals in the Exposure Draft for disclosures about collateral or other credit enhancements, subject to clarifications that:

a. qualitative information should be disclosed about how collateral and other credit enhancements have been incorporated into the measurement of expected credit losses on all financial instruments; and
b. quantitative information about the extent to which collateral or other credit enhancements affects the expected credit loss allowance (or provision) does not require providing information about the fair value of collateral.

Sixteen IASB members agreed with this decision.

Other disclosures

The IASB tentatively confirmed the other disclosures proposed in the Exposure Draft subject to the following modifications and clarifications:

Disclosure objectives

Enhance the objectives by expanding them to emphasise that the information provided should enable a user of the financial statements to understand:

a. how an entity manages credit risk in the context of an expected credit loss impairment model;
b. the methods, assumptions and information used to estimate expected credit losses;
c. an entity's credit risk profile (the credit risk inherent in the financial instruments), including significant credit concentrations; and
d. changes, and the reasons for the changes, in the estimate of expected credit losses during the period.

Qualitative disclosures

a. no longer require the discount rate disclosures concerning the use of the effective interest rate or an approximation thereof included in paragraph 39 (c) of the Exposure Draft;
b. include an explanation of the policy for the modification of financial instruments, including how an entity assesses that the credit risk of modified financial assets is no longer considered to be 'significantly increased' as compared to what it was at initial recognition; and
c. following the September 2013 tentative decision to emphasise that macroeconomic information need to be considered when assessing whether there has been a significant increase in credit risk, an explanation of how such information has been incorporated in the estimates of expected credit losses also needs to be included.

Quantitative disclosures

a. **Modification disclosures:**
    i. only require the disclosure of the gross carrying amount of financial assets that were previously modified and for

which the measurement of the loss allowance changes from lifetime to 12-month expected credit losses during the period. (paragraph 38(a) in the Exposure Draft); and

   ii. clarify the requirement in paragraph 38(b) of the Exposure Draft to refer to the *deterioration rate* (ie the percentage) of financial assets previously disclosed in accordance with paragraph 38(a) for which credit risk has subsequently increased significantly, resulting in the measurement of the loss allowance reverting to lifetime expected credit losses.

b. **Write-off policy disclosures:**
   i. clarify that the term 'nominal amount' refers to the contractual amount outstanding; and
   ii. clarify that the requirement in paragraph 37 of the Exposure Draft to disclose the nominal amount of assets subject to enforcement activity only applies to financial assets that have been written-off during the period, while narrative information is provided about financial assets previously written-off but still subject to enforcement activity.

c. **Credit risk disaggregation disclosures:**
   i. modify the requirement in paragraph 44 of the Exposure Draft to permit the use of an aging analysis for financial assets for which delinquency information is the only borrower-specific information available to assess significant increases in credit risk; and
   ii. delete the requirement in paragraph 44 of the Exposure Draft that an entity should disaggregate its financial instruments across at least three credit risk rating grades to understand its exposure to credit risk, but instead require credit risk disaggregation to be aligned with how credit risk is managed internally and that a consistent approach be applied over time.

Sixteen IASB members agreed with this decision.

Next steps

This meeting concluded the IASB's redeliberations on the technical aspects of the Exposure Draft. The IASB will discuss the mandatory effective date of IFRS 9, and any sweep issues before considering compliance with its due process requirements. Additionally, the IASB will consider whether re-exposure is necessary, and the staff will request permission to ballot.

IASB Februar 2014

Financial Instruments: Impairment

At this meeting, the IASB discussed the following topics:

- the mandatory effective date of IFRS 9 *Financial Instruments*;
- the due process steps followed during the Impairment project and deliberations on the Exposure Draft *Financial Instruments: Expected Credit Losses* (the 2013 Exposure Draft); and
- whether the Impairment proposals should be re-exposed, and whether the IASB would grant permission to begin drafting the final impairment requirements.

Agenda Paper 5A: Mandatory effective date of IFRS 9

The IASB discussed the mandatory effective date for IFRS 9. The IASB also discussed the interaction between the respective mandatory effective dates of IFRS 9 and the forthcoming new Insurance contracts Standard.

The IASB decided that the mandatory effective date of IFRS 9 should not depend on the timing of the new Insurance Contracts Standard. However the IASB noted that, in finalising the insurance Contracts Standard, it would consider the need for additional transition relief so that entities that issue insurance contracts would not be disadvantaged if they are required to apply IFRS 9 before they apply the upcoming new Insurance Contracts Standard.

The IASB tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after 1 January 2018. Eleven IASB members agreed.

Agenda Paper 5B: Comparison between proposals in the Exposure Draft and tentative decisions

This paper provided an update on the FASB's recent decisions on its proposed Current Expected Credit Loss impairment model; summarised the most significant concerns raised by respondents to the IASB's 2013 Exposure Draft; and described the ways in which the IASB has addressed these concerns through the tentative decisions reached during redeliberations. This paper was for informational purposes only and did not include any questions for the IASB.

Agenda Paper 5C: Due process, re-exposure and permission to draft

The IASB considered whether there was a need to re-expose the impairment proposals for public comment. After consideration of the re-exposure criteria in the *Due Process Handbook*, the IASB decided that re-exposure was unnecessary.

The IASB also stated that it was satisfied that it has completed all of the necessary due process steps required to date and therefore instructed the staff to proceed to drafting and balloting the final requirements for impairment to be incorporated into IFRS 9.

Sixteen IASB members agreed with the above decisions.

No members of the IASB indicated an intention to dissent from the new impairment requirements.

Agenda Paper 5D: Overview of the tentative expected credit loss impairment model

This paper provided an overview of the IASB's tentative expected credit loss impairment model. This overview incorporated the proposals in the IASB's 2013 Exposure Draft and the tentative decisions that the IASB has made during its redeliberations. This paper was for informational purposes only and did not include any questions to the IASB.

Next steps

The staff will proceed to draft and ballot the impairment requirements, which will be incorporated into the completed version of IFRS 9.

IASB Februar 2014

Financial Instruments: Classification and Measurement

At this meeting, the IASB discussed the following topics:

- an update on the FASB's recent tentative decisions related to its classification and measurement model for financial instruments;
- the due process steps that the IASB has undertaken in developing the limited amendments to the classification and measurement requirements in IFRS 9 *Financial Instruments*; and
- re-exposure of those limited amendments and permission to draft.

Agenda Paper 6A: Update on the FASB's tentative classification and measurement model for financial instruments

The staff provided an update on the FASB's recent decisions related to its tentative classification and measurement model for financial instruments. This paper was for informational purposes only and there were no questions for the IASB.

Agenda Paper 6B: Due process summary for the limited amendments to the classification and measurement requirements in IFRS 9

The IASB considered whether there was a need to re-expose the limited amendments to the classification and measurement requirements in IFRS 9 for public comment. After consideration of the re-exposure criteria in the *Due Process Handbook*, the IASB decided that re-exposure was unnecessary.

The IASB also stated that it was satisfied that it has completed all of the necessary due process steps required to date and therefore instructed the staff to proceed to drafting and balloting the limited amendments to the classification and measurement requirements in IFRS 9.

Sixteen IASB members agreed with the above decisions.

One IASB member indicated an intention to dissent from those limited amendments, while another member is considering dissenting.

Next steps

The staff will proceed to draft and ballot the limited amendments to the classification and measurements requirements in IFRS 9. The IASB expects to issue the completed version of IFRS 9, which will include those limited amendments and the impairment requirements, in the second quarter of 2014.