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## **EFRAG Equity Instruments – Research on Measurement**

### **Cover Note**

#### **Objective**

- 1 The objective of this session is to present to EFRAG TEG an updated draft of a discussion paper on alternative measurement options for equity instruments ('the DP') and ask EFRAG TEG to recommend the document to the EFRAG Board.

#### **Background**

- 2 The project is in response to the request for technical advice from the European Commission received in June 2018, to consider alternatives to fair value as the measurement basis for equity long-term investment portfolios of equity and equity-like instruments.
- 3 The European Commission is requiring EFRAG provide its technical advice by the end of June. To meet this deadline, the EFRAG Secretariat deems that the Discussion Paper needs to be issued in February at the latest.

#### **Changes since the previous version**

- 4 The section on scope of application has been added which explores the topics of equity-like instruments as well as possible approaches to define long-term.
- 5 The DP now discusses two alternatives in the short term as they are more established and well-known (historical cost and fair value average) with the other alternatives described in an appendix. These alternatives would need to be further developed before being considered for standard-setting purposes.
- 6 The DP focuses on performance measurement, i.e. the recognition in profit or loss and does not explicitly address if the approaches explored in the DP could or should also be used as a measurement bases in the statement of financial position.

#### **Questions for EFRAG TEG**

- 7 Does EFRAG TEG have comments on the draft DP, in particular about questions to constituents?
- 8 Are there additional topics or aspects that should be addressed in the consultation?
- 9 Does EFRAG TEG agree to recommend the DP to the EFRAG Board?

**Agenda Papers**

- 10 In addition to this cover note, agenda paper 11-02 – *Equity instruments – Alternative measurement approaches, EFRAG Discussion Paper* – has been provided for the session.