

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

### **Update and next steps**

#### **Objective of the paper**

- 1 This paper provides an update on the EFRAG Research project on Equity Instruments – Research on Measurement.
- 2 At the date of this document, there has been no new discussion on the Research topic since the October Board meeting.
- 3 On 7 November, there was a presentation at the European Parliament of the report from the Long-term investment Task force of the Paris marketplace. The report includes eleven recommendations to promote long-term investment in Europe, one of which relates to financial reporting. The recommendation proposes to authorise recycling for equity instruments as an immediate measure; and to consider introducing a notion of *long-term projected value* as a measurement basis for investment portfolios managed over the long-term.
- 4 The EFRAG Secretariat understands that the long-term projected value measurement basis would allocate the expected disposal gain on the expected holding period on a portfolio basis. This alternative will be included in the paper for discussion at the November EFRAG TEG meeting.
- 5 On 19 November, the Financial Instruments Working Group received<sup>1</sup> a presentation on the topic and was asked for its input on alternative measurement bases for equity instruments used for management reporting purposes.
- 6 At the next EFRAG TEG meeting, the EFRAG Secretariat will bring papers on the following:
  - (a) Initial ideas for alternative measurement basis, including an approach where the presentation of fair value change is split between profit or loss and OCI, if there is an economic linkage between the equity instruments and the long-term liabilities;
  - (b) A summary of accounting requirements for equity instruments under national GAAP.
- 7 At the December joint EFRAG Board- EFRAG TEG meeting there will be a session to discuss the status of the project and its timetable. As noted in the initial working plan, to meet the June 2019 deadline EFRAG should publish a consultation document by the end of January/ early February.
- 8 In January, the EFRAG Secretariat will bring to EFRAG TEG a paper to discuss what instruments could qualify as equity-type. We understand from the exchange with the European Commission that equity-type instruments would include units of fund such as the European Long-Term investment funds (ELTIF). The EFRAG Secretariat intends to discuss if there are specific regulatory characteristics – like the eligible investments or the redemption conditions – that are relevant to the identification of equity-type instruments in the context of the Research topic.

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<sup>1</sup> The FIWG meeting occurred before the EFRAG Board, but after the preparation of this paper.

**Question for EFRAG Board**

9 Does the EFRAG Board have comments or questions on the above?