

## **EFRAG INVITES USERS TO AN OUTREACH MEETING ON THE LATEST DEVELOPMENTS IN ACCOUNTING FOR FINANCIAL INSTRUMENTS**

As part of its ongoing contributions to the IASB's due process, EFRAG invites analysts, investors and regulators to an outreach meeting on **Wednesday 15 September 2010**. EFRAG is keen to understand the perspective of users on the changes proposed recently in accounting for financial instruments, as we believe that the needs of users should be paramount in enhancing the quality of financial reporting.

The meeting is scheduled to take place in Brussels from 13.00 to 17.00 hrs. Details on the location will be communicated to the participants nearer the meeting date.

### **Background**

On 27 May 2010, the International Accounting Standards Board (IASB) issued a request for comments on the Financial Accounting Standards Board (FASB) *Financial Instruments* Exposure Draft by 30 September 2010. While the IASB and FASB had begun a joint project to improve their respective standards on accounting for financial instruments, different approaches were recently submitted. Nevertheless, the ultimate aim is still a single converged reporting model for financial instruments that provides stakeholders with the most useful and transparent information about an entity's exposure to financial instruments.

### **Key considerations**

Since the IASB is called to consider the comment letters on the FASB Exposure Draft in order to foster convergence with US GAAP, input from European constituents on the proposals is important. The Exposure Draft raises 71 questions for comments, of which 22 questions are specifically addressed to users. In summary, users are asked to share their views on the following topics:

- **Measurement model:** Do you favour the current IASB mixed measurement model, reflecting an entity's business approach, or would you support a fair value only model as proposed in the FASB Exposure Draft, with the business approach playing a role in segmenting between profit or loss and OCI only?

- **Presentation of fair value information :**
  - i. Should changes in fair value always be reported in profit or loss or, depending on the characteristics of the instrument, is it more appropriate to recognise certain changes in fair value in OCI?
  - ii. Should fair value information on instruments measured at amortised cost be presented on the face of the balance sheet or is the current IASB disclosure approach appropriate?
  - iii. Is recycling of changes in fair value from OCI to profit or loss upon disposal or settlement appropriate?
- **Credit impairment model - interest margin :** The proposed FASB credit impairment model differs from the IASB model as follows :
  - i. Initially expected credit losses over the entire life of the asset cannot be taken into account in determining the effective interest rate. As a result, the amount of interest income recognised will differ.
  - ii. An entity shall only take into account conditions extant at the reporting date, and not any forecasted conditions. Thus, the amount of credit impairment charges recognised in a reporting period will differ.

Which model, do you believe, provides the most decision-useful information ?

- **Hybrid instruments:**
  - i. Do you believe that replacing the current bifurcation approach for hybrid financial liabilities by a full fair value approach against profit or loss for the entire instrument would provide more decision useful information?
  - ii. Is it appropriate to account for assets and liabilities on a different basis (impact of issuer's credit risk set aside) ?
- **Overall:** Do you believe that the FASB proposals will provide financial statement users with better and timelier information on an entity's involvement in financial instruments, while reducing the complexity in accounting for those instruments?

Participants registered to the EFRAG – Users outreach meeting will receive a short questionnaire on the above topics by the end of July. A summary of the answers will be presented by EFRAG at the outreach meeting together with a short overview of the status of the topic (IASB-FASB proposals and EFRAG views).

## Agenda

- 13.00 to 13.15 Welcome
- 13.15 to 16.30 For each topic : state of play, feedback from questionnaire and debate with participants
- 16.30 to 17.00 wrap-up

Details of the agenda will be communicated to the participants nearer the meeting date.

## Time line and registration

EFRAG will release its draft comment letter on the FASB proposals in July 2010 requesting comments for consideration at its September Technical Experts Group (TEG) meeting. Individuals or organisations interested in participating in our outreach meeting of Wednesday 15 September 2010 are invited to register by 26<sup>th</sup> of July 2010 by submitting the attached attendance form. After that date, registrants will be welcome as far as logistics permit.

## Contact

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**EFRAG - USERS OUTREACH EVENT ON LATEST DEVELOPMENTS IN  
ACCOUNTING FOR FINANCIAL INSTRUMENTS  
■ BRUSSELS ■ WEDNESDAY 15 SEPTEMBER 2010 ■**

**ATTENDANCE FORM**

**PARTICIPANT DETAILS**

ORGANISATION .....

FIRST NAME & LAST NAME .....

POSITION .....

EMAIL .....

will attend the event in Brussels on Wednesday 15 September (13 -17 hrs)

Would you be so kind and fax or email back your response form **before 26<sup>th</sup> July** to

**+32-2 210 44 01** (*outside Belgium*)  
**02-210 44 01** (*in Belgium*)  
**ns@efrag.org**

We look forward to your participation in this event and will come back to you with a confirmation letter nearer the date. If you should not have received any confirmation from the EFRAG secretariat one week before the event, please contact us.

The EFRAG Secretariat