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## **Equity instruments: alternative 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, to consider alternatives to fair value as the measurement basis for equity long-term investment portfolios of equity and equity-like instruments.

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

- 3 Questions to constituents and Chapter 1 have been updated for feedback received and Chapter 2 moved to later in the DP as suggested.
- 4 The DP now clearly sets out what the impact of a single or dual measurement approach would be (including an example) without stating a preference and keeping the previous question to constituents.
- 5 The assessment of the measurement alternatives has been revised with clearer sign-posting.
- 6 Chapter 5 on communicating long-term performance has been included in the DP as previously recommended by EFRAG TEG.

### **Questions for EFRAG TEG/CFSS/User Panel/Board**

- 7 Does EFRAG TEG have comments on the draft DP, in particular about questions to constituents?
- 8 Chapter 3 includes a section on 'Effects on behaviour'. However, the EFRAG Secretariat considers that at this stage this analysis is highly uncertain – practically we are trying to assess if changes to the requirements may alter potential future behavioural changes that some expect to occur under IFRS 9. Does EFRAG TEG consider this section helpful?
- 9 Does EFRAG TEG agree to recommend the DP to the EFRAG Board?

### **Agenda Papers**

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