

FINANCIAL REPORTING  
EXPOSURE DRAFT

PROPOSED AMENDMENTS TO FRS 29 (IFRS 7)  
'FINANCIAL INSTRUMENTS:  
DISCLOSURES'

DISCLOSURES - TRANSFERS OF  
FINANCIAL ASSETS



ACCOUNTING  
STANDARDS  
BOARD

*This draft is issued by the Accounting Standards Board for comment. It should be noted that the draft may be modified in the light of comments received before being issued in final form.*

*For ease of handling, we prefer comments to be sent by email to*

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*Comments should be despatched so as to be received no later than 30 April 2011. All replies will be regarded as on the public record, unless confidentiality is requested by the commentator.*

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**PROPOSED AMENDMENTS TO FRS 29  
(IFRS 7)**

**‘FINANCIAL INSTRUMENTS:  
DISCLOSURES’**

**DISCLOSURES – TRANSFERS  
OF FINANCIAL ASSETS**



**ACCOUNTING  
STANDARDS  
BOARD**

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## **PREFACE**

### **Background**

- 1 The Accounting Standards Board (ASB) is issuing this Financial Reporting Exposure Draft (FRED) for comment. It sets out amendments to Financial Reporting Standard (FRS) 29 (IFRS 7) 'Financial Instruments: Disclosures'.
- 2 In December 2005, the ASB issued FRS 29, which had the effect of implementing the requirements of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' for those entities applying UK standards.
- 3 As a converged standard, the ASB intends the text of FRS 29 to be kept aligned with IFRS 7. Therefore, it is proposing these amendments to FRS 29 which set out in full the October 2010 amendments made to the disclosure requirements in IFRS 7 by the International Accounting Standards Board (IASB) in relation to transfers of financial assets.

### **The IASB's amendments**

- 4 The IASB finalised its amendments to IFRS 7 in October 2010. When implemented, these amendments will enhance the disclosure requirements on transfers of financial assets and the effect of the resulting risks on an entity's financial position. They will also help improve the transparent reporting of transfer transactions in general, and that of transactions involving securitisation of financial assets in particular.

### **The ASB's proposals**

- 5 The ASB believes that the amendments to IFRS 7 will enhance the reporting of transfer transactions and is

proposing to implement them in full into FRS 29. If implemented, these amendments will only impact entities currently within the scope of FRS 29.

- 6 It should be noted that at the time of issuing this FRED the European Union (EU) is yet to adopt these amendments. However, the ASB expects to issue any final amendments to the standard once EU-adoption has been finalised.
- 7 The ASB has also decided to propose some editorial changes to text currently in FRS 29, mainly to accommodate the proposed amendments noted above. These are described in the text boxes preceding the changed paragraphs.

### **Regulatory impact**

- 8 In the ASB's view, the proposals set out in this FRED should not impose significant additional costs of preparation. The ASB believes that the amendments will result in information which is of benefit to users of the financial statements. The ASB would welcome views on whether the benefits arising from the proposals in this FRED would outweigh any costs involved.

### **Date from which effective**

- 9 The FRED proposes the same effective date as that included in the IASB's amendment to IFRS 7, i.e. for accounting periods beginning on or after 1 July 2011. Earlier application is permitted.

### **Invitation to comment**

- 10 The ASB is requesting comments on the proposals for implementing the IASB's October 2010 amendments to IFRS 7 into FRS 29, by 30 April 2011. The ASB would welcome comments on the following issues:



ASB Q1: Are you aware of any UK specific issues that would affect implementation of the proposals set out in this FRED?

ASB Q2: Do you agree that the benefits of the proposals in the FRED would outweigh any additional costs involved? If not, please explain why.

ASB Q3: Do you agree that the effective date should be 1 July 2011 so that it is aligned with the equivalent amendments to IFRS 7?



**PROPOSED AMENDMENTS TO  
FRS 29 (IFRS 7) 'FINANCIAL  
INSTRUMENTS: DISCLOSURES'**

**Amendment to the Preface by the Accounting Standards Board**

1 The following paragraph is added to follow paragraph k:

"l In [Month] 2011 the Board amended FRS 29 to incorporate changes made to IFRS 7 by the IASB to require enhanced disclosures about transfers of financial assets. These amendments are applicable for accounting periods commencing on or after 1 July 2011."

## **Amendment to the Financial Reporting Standard 29 (IFRS 7) *Financial Instruments: Disclosures***

2 FRS 29 is amended as follows:

[ASB note: The text of FRS 29 (IFRS 7) ‘Financial Instruments: Disclosures’ includes strike-through and underlining to show changes made by the ASB to the text of the corresponding IFRS. The amended text of FRS 29 set out below adopts the same convention; as a result, it is not practicable to use strike-through and underlining to illustrate the changes to the existing standard. Instead, the changes are described in the text boxes appearing at the start of each set of proposed changes.]

In the Introduction, paragraph IN5B is added.

### **Introduction\***

#### **Main features of the IFRS**

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IN5B *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7), issued in October 2010, amended the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position.

IASB Note: The heading before paragraph 13 and paragraph 13 are deleted. After paragraph 42, headings and paragraphs 42A–42H are added.

ASB Note: The heading “Capital Disclosures” will follow the new paragraph 42H and the paragraph currently numbered 42A in FRS 29 is renumbered 42I as follows.

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\* ASB Footnote: Although references to specific IFRSs have been amended in the main section of the standard, references in the amendment to the Introduction, which describe the revision of IFRS 7, have been left unchanged.

## Transfers of financial assets

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- 42A The disclosure requirements in paragraphs 42B–42H relating to transfers of financial assets supplement the other disclosure requirements of this ~~IFRS~~ Standard. An entity shall present the disclosures required by paragraphs 42B–42H in a single note in its financial statements. An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. For the purposes of applying the disclosure requirements in those paragraphs, an entity transfers all or a part of a financial asset (the transferred financial asset), if, and only if, it either:
- (a) transfers the contractual rights to receive the cash flows of that financial asset; or
  - (b) retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.
- 42B An entity shall disclose information that enables users of its financial statements:
- (a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
  - (b) to evaluate the nature of, and risks associated with, the entity’s continuing involvement in derecognised financial assets.
- 42C For the purposes of applying the disclosure requirements in paragraphs 42E–42H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new

contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 42E–42H, the following do not constitute continuing involvement:

- (a) normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action;
- (b) forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or
- (c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 19(a)–(c) of ~~IAS 39~~ FRS 26 are met.

### **Transferred financial assets that are not derecognised in their entirety**

42D An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:

- (a) the nature of the transferred assets.
- (b) the nature of the risks and rewards of ownership to which the entity is exposed.
- (c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.

- (d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).
- (e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.
- (f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 20(c)(ii) and 30 of ~~IAS 39~~ FRS 26), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

**Transferred financial assets that are derecognised in their entirety**

42E To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 20(a) and (c)(i) of ~~IAS 39~~ FRS 26) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:

- (a) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised.
- (b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets.

- (c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined.
- (d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (eg the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date.
- (e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement.
- (f) qualitative information that explains and supports the quantitative disclosures required in (a)–(e).

42F An entity may aggregate the information required by paragraph 42E in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.

42G In addition, an entity shall disclose for each type of continuing involvement:

- (a) the gain or loss recognised at the date of transfer of the assets.
- (b) income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (eg fair value changes in derivative instruments).



- (c) if the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (eg if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):
- (i) when the greatest transfer activity took place within that reporting period (eg the last five days before the end of the reporting period),
  - (ii) the amount (eg related gains or losses) recognised from transfer activity in that part of the reporting period, and
  - (iii) the total amount of proceeds from transfer activity in that part of the reporting period.

An entity shall provide this information for each period for which a statement of comprehensive income is presented.

### **Supplementary information**

42H An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 42B.

### **Capital disclosures**

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42A 42I An entity shall make disclosures about its capital as required by Appendix E, which is an integral part of this Standard.

## Effective date and transition

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IASB Note: Paragraph 44M is added.  
 ASB Note: Paragraph 44E of FRS 29 is renumbered as Paragraph 44F.

- ~~44E~~ 44F The ASB amended paragraphs 20, 21, 23 (c) and (d) as part of its ‘Improvements to Financial Reporting Standards’ issued in December 2008. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009.
- 44M *Disclosures—Transfers of Financial Assets* (Amendments to ~~FRS 7~~ FRS 29), issued in ~~October 2010~~ [Month] 2011, deleted paragraph 13 and added paragraphs 42A–42H and B29–B39. An entity shall apply those amendments for annual periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies the amendments from an earlier date, it shall disclose that fact. An entity need not provide the disclosures required by those amendments for any period presented that begins before the date of initial application of the amendments.

## Amendment to Appendix B to FRS 29

3 Appendix B to FRS 29 is amended as follows:

After paragraph B28, headings and paragraphs B29–B39 are added.

### Derecognition (paragraphs 42C–42H)

#### **Continuing involvement (paragraph 42C)**

B29 The assessment of continuing involvement in a transferred financial asset for the purposes of the disclosure requirements in paragraphs 42E–42H is made at the level of the reporting entity. For example, if a subsidiary transfers to an unrelated third party a financial asset in which the parent of the subsidiary has continuing involvement, the subsidiary does not include the parent's involvement in the assessment of whether it has continuing involvement in the transferred asset in its stand-alone financial statements (ie when the subsidiary is the reporting entity). However, a parent would include its continuing involvement (or that of another member of the group) in a financial asset transferred by its subsidiary in determining whether it has continuing involvement in the transferred asset in its consolidated financial statements (ie when the reporting entity is the group).

B30 An entity does not have a continuing involvement in a transferred financial asset if, as part of the transfer, it neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. An entity does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future.

- B31 Continuing involvement in a transferred financial asset may result from contractual provisions in the transfer agreement or in a separate agreement with the transferee or a third party entered into in connection with the transfer.

### **Transferred financial assets that are not derecognised in their entirety**

- B32 Paragraph 42D requires disclosures when part or all of the transferred financial assets do not qualify for derecognition. Those disclosures are required at each reporting date at which the entity continues to recognise the transferred financial assets, regardless of when the transfers occurred.

### **Types of continuing involvement (paragraphs 42E–42H)**

- B33 Paragraphs 42E–42H require qualitative and quantitative disclosures for each type of continuing involvement in derecognised financial assets. An entity shall aggregate its continuing involvement into types that are representative of the entity's exposure to risks. For example, an entity may aggregate its continuing involvement by type of financial instrument (eg guarantees or call options) or by type of transfer (eg factoring of receivables, securitisations and securities lending).

### **Maturity analysis for undiscounted cash outflows to repurchase transferred assets (paragraph 42E(e))**

- B34 Paragraph 42E(e) requires an entity to disclose a maturity analysis of the undiscounted cash outflows to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the derecognised financial assets, showing the remaining contractual maturities of the entity's continuing involvement. This analysis distinguishes cash flows that are required to be paid (eg forward contracts), cash flows that the entity may be required to pay (eg written put options) and cash flows that the entity might choose to pay (eg purchased call options).

- B35 An entity shall use its judgement to determine an appropriate number of time bands in preparing the maturity analysis required by paragraph 42E(e). For example, an entity might determine that the following maturity time bands are appropriate:
- (a) not later than one month;
  - (b) later than one month and not later than three months;
  - (c) later than three months and not later than six months;
  - (d) later than six months and not later than one year;
  - (e) later than one year and not later than three years;
  - (f) later than three years and not later than five years; and
  - (g) more than five years.
- B36 If there is a range of possible maturities, the cash flows are included on the basis of the earliest date on which the entity can be required or is permitted to pay.

**Qualitative information (paragraph 42E(f))**

- B37 The qualitative information required by paragraph 42E(f) includes a description of the derecognised financial assets and the nature and purpose of the continuing involvement retained after transferring those assets. It also includes a description of the risks to which an entity is exposed, including:
- (a) a description of how the entity manages the risk inherent in its continuing involvement in the derecognised financial assets.
  - (b) whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity's

interest in the asset (ie its continuing involvement in the asset).

- (c) a description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset.

### **Gain or loss on derecognition (paragraph 42G(a))**

- B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity also shall disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 27A.

### **Supplementary information (paragraph 42H)**

- B39 The disclosures required in paragraphs 42D–42G may not be sufficient to meet the disclosure objectives in paragraph 42B. If this is the case, the entity shall disclose whatever additional information is necessary to meet the disclosure objectives. The entity shall decide, in the light of its circumstances, how much additional information it needs to provide to satisfy the information needs of users and how much emphasis it places on different aspects of the additional information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

**APPROVAL BY THE ~~BOARD~~ IASB OF  
DISCLOSURES—TRANSFERS OF  
FINANCIAL ASSETS (AMENDMENTS TO  
IFRS 7) ISSUED IN OCTOBER 2010**

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*Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7) was approved for issue by the fourteen members of the International Accounting Standards Board.

Sir David Tweedie	Chairman
Stephen Cooper	
Philippe Danjou	
Jan Engström	
Patrick Finnegan	
Amaro Luiz de Oliveira Gomes	
Prabhakar Kalavacherla	
Elke König	
Patricia McConnell	
Warren J McGregor	
Paul Pacter	
John T Smith	
Tatsumi Yamada	
Wei-Guo Zhang	





## **APPENDIX: OTHER MATERIAL TO BE INSERTED IN FRS 29**

### **Amendments to guidance on implementing FRS 29 (IFRS 7) *Financial Instruments: Disclosures***

IASB Note: After paragraph IG40 a heading and paragraphs IG40A–IG40C are added.

ASB Note: Paragraphs IG40A–B illustrate how an entity that has adopted IFRS 9 *Financial Instruments* might meet the quantitative disclosure requirements in paragraphs 42D and 42E. Currently, there is no UK equivalent standard to IFRS 9 and as a result the relevant paragraphs are not proposed to be included in FRS 29.

IG40C The following examples illustrate how an entity ~~that has not adopted IFRS 9~~ might meet the quantitative disclosure requirements in paragraphs 42D and 42E.

## Transferred financial assets that are not derecognised in their entirety

### Illustrating the application of paragraph 42D(d) and (e)

	Financial assets at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets
	CU million		CU million		CU million
	Trading securities	Derivatives	Mortgages	Consumer loans	Equity investments
Carrying amount of assets	X	X	X	X	X
Carrying amount of associated liabilities	(X)	(X)	(X)	(X)	(X)
<b>For those liabilities that have recourse only to the transferred assets:</b>					
Fair value of assets	X	X	X	X	X
Fair value of associated liabilities	(X)	(X)	(X)	(X)	(X)
Net position	X	X	X	X	X

## Transferred financial assets that are derecognised in their entirety

### Illustrating the application of paragraph 42E(a)–(d)

Type of continuing involvement	Cash outflows to repurchase transferred (derecognised) assets	Carrying amount of continuing involvement in statement of financial position			Fair value of continuing involvement		Maximum exposure to loss
	CU million	Held for trading	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Assets	Liabilities	CU million
Written put options	(X)			(X)		(X)	X
Purchased call options	(X)	X			X		X
Securities lending	(X)		X	(X)	X	(X)	X
<b>Total</b>		X	X	(X)	X	(X)	X

**Illustrating the application of paragraph 42E(e)**

<b>Undiscounted cash flows to repurchase transferred assets</b>								
	Maturity of continuing involvement CU million							
Type of continuing involvement	Total	less than 1 month	1-3 months	3-6 months	6 months -1 year	1-3 years	3-5 years	more than 5 years
Written put options	X		X	X	X	X		
Purchased call options	X			X	X	X		X
Securities lending	X	X	X					

## **Amendments to the Basis for Conclusions on FRS 29 (IFRS 7) *Financial Instruments: Disclosures***

[ASB Note: The amendments to the Basis for Conclusions that the IASB prepared to accompany its amendment is set out below in full. All references in this section to ‘the Board’ and ‘Board members’ are references to the IASB Board and IASB Board members.]

The heading before paragraph BC24 and paragraph BC24 are deleted. After paragraph BC65 headings and paragraphs BC65A–BC65N are added.

### **Disclosures relating to transfers of financial assets**

#### **Background**

BC65A In March 2009, in conjunction with the Memorandum of Understanding between the IASB and the US Financial Accounting Standards Board (FASB) to improve and achieve convergence of IFRS and US standards for derecognition, the IASB published an exposure draft to replace the derecognition requirements of IAS 39 and to improve the disclosure requirements in IFRS 7 relating to the transfer of financial assets and liabilities. In response to feedback received on the exposure draft the IASB developed more fully the alternative model described in the exposure draft and the boards discussed the alternative model.

BC65B In May 2010 the boards reconsidered their strategies and plans for the derecognition project in the light of:

- (a) their joint discussions of the alternative derecognition model described in the exposure draft;
- (b) (the June 2009 amendments to the US GAAP derecognition guidance by the FASB, which reduced

the differences between IFRSs and US GAAP by improving requirements relating to derecognition of financial assets and liabilities; and

- (c) the feedback the IASB received from national standard-setters on the largely favourable effects of the IFRS derecognition requirements during the financial crisis.

BC65C As a result, in June 2010 the IASB and the FASB agreed that their near-term priority was on increasing the transparency and comparability of their standards by improving and aligning the disclosure requirements in IFRSs and US GAAP for financial assets transferred to another entity. The boards also decided to conduct additional research and analysis, including a post-implementation review of some of the FASB's recently amended requirements, as a basis for assessing the nature and direction of any further efforts to improve or align IFRSs and US GAAP.

BC65D As a result, the Board decided to finalise the derecognition disclosures and related objectives, proposed in the exposure draft. Accordingly, in October 2010 the Board issued *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7), requiring disclosures to help users of financial statements:

- (a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- (b) to evaluate the nature of and risks associated with the entity's continuing involvement in derecognised financial assets.

### **Transferred financial assets that are not derecognised in their entirety**

BC65E When financial assets are transferred but not derecognised, there has been an exchange transaction that is not reflected

as such in the financial statements as a result of the accounting requirements. The Board concluded that in those situations, users of financial statements need to understand the relationship between those transferred financial assets and the associated liabilities that an entity recognises. Understanding that relationship helps users of financial statements in assessing an entity's cash flow needs and the cash flows available to the entity from its assets.

BC65F The Board observed that IFRS 7 required disclosures about transferred financial assets that are not derecognised in their entirety. The Board decided to continue requiring those disclosures because they provide information that is useful in understanding the relationship between transferred financial assets that are not derecognised and associated liabilities.

BC65G However, the Board also decided that the following additional disclosures were necessary:

- (a) a qualitative description of the nature of the relationship between transferred assets and associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets; and
- (b) a schedule that sets out the fair value of the transferred financial assets, the associated liabilities and the net position when the counterparty to the associated liabilities has recourse only to the transferred assets.

BC65H The Board concluded that these disclosures would provide information that is useful in assessing the extent to which the economic benefits generated by assets of an entity cannot be used in an unrestricted manner, as is implied when assets are recognised in an entity's statement of financial position. In addition, the disclosures would provide information about liabilities that will be settled entirely from the proceeds received from the transferred assets, and thus identify liabilities for which the counterparties do not have claims on the assets of the

entity in general. For those assets for which the underlying cash flows are committed to be used to satisfy related liabilities, the Board noted that a schedule that sets out the fair value of the transferred financial assets, the associated liabilities and the net position (in addition to showing the cash flow relationship between those assets and liabilities) also provides a means of understanding the net exposure of an entity following a transfer transaction that fails derecognition.

### **Transferred financial assets that are derecognised**

BC65I The Board was asked by users of financial statements, regulators and others to review the disclosure requirements for what are often described as ‘off balance sheet’ activities. Transfers of financial assets, particularly securitisation of financial assets, were identified as forming part of such activities.

BC65J The Board concluded that when an entity retains continuing involvement in financial assets that it has derecognised, users of financial statements would benefit from information about the risks to which the entity remains exposed. Such information is relevant in assessing the amount, timing and uncertainty of the entity’s future cash flows.

BC65K The Board observed that IFRS 7 already requires certain disclosures by class of financial instrument or by type of risk. However, the IFRS requires the information at an aggregated level, so information specific to derecognition transactions is often not available. In response to requests from users and others the Board concluded that disclosures specific to derecognition transactions were necessary.

BC65L The Board concluded that the disclosures should focus on the risk exposure of an entity, and should provide information about the timing of the return and the cash outflow that would or may be required to repurchase the derecognised financial assets in the future. The Board



reasoned that a combination of disclosures about the strike price or repurchase price to repurchase assets, the fair value of its continuing involvement, the maximum exposure to loss and qualitative information about an entity's obligations to provide financial support are relevant in understanding an entity's exposure to risks.

BC65M In addition, the Board concluded that information about an entity's gain or loss on derecognition and the timing of recognition of that gain or loss provides information about the proportion of an entity's profit or loss that arises from transferring financial assets in which the entity also retains continuing involvement. Such information is useful in assessing the extent to which an entity generates profits from transferring financial assets while retaining some form of continuing involvement and thus exposure to risk.

BC65N The Board observed that the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period may not be evenly distributed throughout the reporting period (eg if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period). The Board decided that, if transfer activity is concentrated around the end of reporting periods, disclosure of this fact provides an indication of whether transfer transactions are undertaken for the purpose of altering the appearance of the statement of financial position rather than for an ongoing commercial or financing purpose. In such cases, the amendments require disclosure of when the greatest transfer activity took place within that reporting period, the amount recognised from the transfer activity in that part of the reporting period, and the total amount of proceeds from transfer activity in that part of the reporting period.

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