



International Accounting Standards Board®

Press Release

25 June 2009

IASB seeks input on feasibility of expected loss model

The International Accounting Standards Board (IASB) today published a Request for Information on the feasibility of an expected loss model for the impairment of financial assets. Impairment is one of the issues that the IASB is addressing in the second phase of its comprehensive review of IAS 39 *Financial Instruments: Recognition and Measurement*.

The Request published today seeks input on the practical issues that would arise, if an expected loss model was required. The input will assist the IASB in developing formal proposals that it plans to publish in an exposure draft in October 2009.

The current model in IAS 39 requires an entity to account for credit losses in financial assets only if an event (or a combination of events) has occurred that has a negative effect on future cash flows and that effect can be reliably estimated (this is known as the incurred loss model). A feature of that model is that an entity is not permitted to consider the effects of future expected losses. The financial crisis has highlighted this as an area of concern. Responding to the request of the G20 leaders and others the IASB is reviewing that approach and examining the expected loss model as an alternative.

The expected loss model requires an entity to make an ongoing assessment of expected credit losses, which may require earlier recognition of credit losses. This would better reflect the way that financial assets are priced and the way some companies manage their business.

The IASB welcomes responses to its Request for Information by 1 September 2009.

The Request for Information can be downloaded from the 'Open for Comment' section on www.iasb.org. Subscribers may also view the document in the eIFRSs. Comments received will be posted on that website. The project team will introduce the Request for Information in a live web presentation in due course. Details will be announced on www.iasb.org.

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Notes for editors***About the comprehensive review of IAS 39***

At its Board meeting in May 2009, the IASB published a timetable for the comprehensive review of its standard on the recognition and measurement of financial instruments, IAS 39. The IASB's tentative project plan consists of three main phases:

- **Phase 1: Classification and measurement.** The Board plans to issue an exposure draft on classification and measurement, and the impairment problem that arise because of classification and measurement, in July 2009. The Board expects to finalise this phase in time to allow, but not require, early application for 2009 year end financial statements.
- **Phase 2: Impairment methodology.** The Board plans to issue an exposure draft on impairment in October 2009.
- **Phase 3: Hedge accounting.** The Board plans to issue an exposure draft on hedge accounting in December 2009.

The IASB aims to have replaced all of the requirements of IAS 39 during 2010. It is expected that the (mandatory) effective date for all the phases will not be before January 2012. For more information on the comprehensive review of IAS 39, visit the project page Financial Instruments Replacement of IAS 39 on www.iasb.org

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. Its 14 members (13 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience.