



International Accounting Standards Board®

Press Release

For Immediate Release

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INTERNATIONAL ACCOUNTING STANDARDS BOARD PROPOSES IMPROVEMENTS OF FINANCIAL INSTRUMENT STANDARDS

The International Accounting Standards Board (IASB) today published for public comment proposals to improve the two International Accounting Standards (IASs) related to accounting for financial instruments, IAS 32 and IAS 39. The proposals are in the form of an exposure draft on which comments are invited by 14 October 2002.

The release of the Exposure Draft marks the first stage of the IASB's efforts to improve the accounting for financial instruments. The IASB has focused in the near term on improving the existing standards, which are closely modelled on the approach of US generally accepted accounting principles. Whilst the Board has signalled its desire ultimately to develop a principles-based approach for the accounting for financial instruments, the proposed improvements are aimed at removing inconsistencies in the existing standards, providing additional guidance, and easing implementation.

The IASB recognises that to undertake a complete overhaul would require time for a comprehensive re-examination of the complex issues involved and would prolong uncertainty for the many companies required to make the transition to international standards under a new European Union regulation. Furthermore, having in place usable standards for financial instruments is increasingly important for investors as the use of derivatives and other financial instruments grows. IAS 32 and IAS 39 and their US equivalents are the only existing standards that address the accounting for derivatives in a comprehensive manner.

Introducing the Exposure Draft, Sir David Tweedie, IASB Chairman, commented,

“With thousands of companies required to implement international standards in the next few years, there is an urgent need to remove uncertainty and to make it easier to

implement the standards on the reporting of financial instruments. In a world in which financial instruments are becoming increasingly complex and are often a source of confusion for investors, having workable standards in place, with appropriate guidance, is an essential element in providing investors with a complete picture of companies' financial performance. These proposals offer a practical and timely solution to the immediate problem. In the longer term, the IASB will initiate a complete re-examination of the issue with the aim of creating a universally-accepted principles-based approach for financial instruments.”

Copies of the “*Exposure Draft of Proposed Amendments to IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments: Recognition and Measurement*” (ISBN 0 905625 99 4) are available, at £18.00 (€ 31/US \$28) each, including postage, from: the IASB’s Publications Department,

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Web: www.iasb.org.uk

Subscribers to the IASB’s *Comprehensive Subscription Service* can view the exposure draft from the secure subscriber area of the IASB’s Website. From 1 July the complete text of the exposure draft will be freely available from the Website.

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NOTES TO EDITORS

1 The International Accounting Standards Board (IASB), based in London, began operations in 2001. It is funded by contributions from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 Board members (12 of whom are full-time) reside in nine countries and have a variety of functional backgrounds. The Board is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the Board cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.

2 Upon its inception the IASB adopted the body of International Accounting Standards (IASs) issued by its predecessor, the International Accounting Standards Committee.

- 3 The main features of the changes proposed in the Exposure Draft are:
- to promote greater consistency and clarity in reporting by allowing greater use of fair values, and underpinning this change by providing fuller guidance and more disclosure.
 - to provide guidance to ensure that impairment losses (write-downs) in groups of loans or other financial assets are recognised in a timely manner.
 - to introduce the tough principle of ‘no continuing involvement’ to test asset sales (derecognition). Entities will not be able to derecognise assets to the extent that they could, or could be required to, reacquire control of the transferred asset, or could receive or be required to pay compensation based on the performance of the asset.

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