Staff paper

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IASB® meeting

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Project	**Amortised Cost Measurement**
Topic	**Analysis of outreach feedback**
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Introduction

1. In February 2025, the IASB decided to meet with stakeholders, particularly preparers, to gather information about the root causes for diversity in application of the amortised cost measurement requirements in IFRS 9 *Financial Instruments*.

2. Between March and May 2025, the IASB conducted several outreach events with groups of stakeholders from various industries and regions. Appendix A to this paper provides statistical information about the outreach.

3. This paper analyses the feedback from this outreach. We do not ask the IASB to make any decisions in this paper but invite questions or comments on the outreach feedback.

Structure of the paper

4. The paper also includes Appendix A—Outreach Information.

Overall theme of feedback

5. Overall, the outreach feedback confirms that there is significant diversity in application of requirements on amortised cost measurement. Most preparers in the outreach describe their current practices with reference to specific features or types of financial instruments, rather than identifying a consistent principle or rationale.

6. The purpose of outreach was to identify the root causes for diversity in application. As detailed in the feedback section of this paper, we found that:

   (a) for some issues, diversity in application arises because IFRS 9 has no explicit requirements or application guidance, leading entities to develop their own accounting policies (see feedback on topic 2, topic 3 and other comments); and

   (b) for other issues, although IFRS 9 addresses the issue, diversity in application arises because entities have developed 'simplified' accounting policies that align with their system capabilities (see feedback on topic 1).

7. Outreach participants acknowledge the substantial diversity in application and accounting outcomes. However, some raise concerns that the costs of implementing potential changes would exceed the benefits that might result from a more consistent application. For example, as noted in topic 2, although participants reported a variety of practices and interpretations leading to challenges in application, auditing and enforcement, some questioned whether standard-setting could solve the problem effectively and efficiently because of the long-standing practices embedded in entities' accounting processes.

Analysis of feedback

1. Calculating the effective interest rate on initial recognition

Background

IFRS 9 requirements
Appendix A to IFRS 9 defines the effective interest rate (EIR) of a financial instrument as: **(emphasis added)** The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the EIR, an entity shall estimate the expected cash flows by **considering <u>all</u> the contractual terms** of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses …
Feedback on the post-implementation reviews (PIRs) of IFRS 9
Many respondents to the PIRs of IFRS 9 asked for clarification on: • **whether** estimated future cash payments or receipts shall include conditional contractual terms such as specified adjustments to the contractual interest rate? • if so, **how** such conditional terms should be considered in estimating cash flows through the expected life of the financial instrument. Those respondents said that IFRS 9 is not clear on whether it require a probability-weighted (or expected value) or the most likely outcome, when estimating future cash flows.

Outreach feedback

8. Most outreach participants provided feedback on this topic with reference to one or more of the following contractual terms and conditions:

   (a) **credit ratchet features**. For example, a loan with a credit spread that is adjusted based on a predetermined rate scale (ratcheted) upon the occurrence of specified events related to the borrower's credit risk.

   (b) **stepped interest features.** For example, a predetermined rate of interest on the principal amount that increases progressively over the life of the instrument.

(c) **ESG-linked features**. For example, a predetermined change in the contractual interest rate that is contingent on the borrower meeting specific ESG targets.

9. Generally, outreach participants acknowledged that the definition of the EIR as set out in Appendix A of IFRS 9 makes it clear that an entity is required to reflect all the contractual terms and conditions of an instrument in estimating expected cash flows for purpose of calculating EIR at initial recognition of a financial instrument, ie including any conditional terms that might change the contractual interest rate.

10. However, many outreach participants said that they reflect **some**, but **not all**, conditional terms when calculating EIR (see paragraph 12). Others, including two global banks, said that they do not reflect **any** conditional terms. When entities do not reflect the conditional terms in calculating EIR at initial recognition, they only recognise changes in cash flows from those terms when the contingent event occurs.

11. These participants noted either materiality judgements or insufficient information available to support a reliable estimate as reasons for not reflecting conditional terms. For example, an entity might not have adequate historical data to assess the likelihood of a contingent event occurring. However, these participants did not specify whether entities, such as lenders, actually analyse the expected effects of conditional terms over the lifespan of a financial instrument for internal purposes, such as in pricing the financial instrument.

12. The outreach participants who reflect some, but not all, terms into the calculation of EIR, acknowledged that their accounting policies lack a conceptual rationale. In describing their policies, they typically specified which terms and conditions are reflected in the calculation and which are not. For example, some financial institutions in Europe said that they do not reflect the ESG-linked features in calculating EIR at initial recognition because they consider their impact to be immaterial at this time. However, they note that these effects might become material in the future.

13. Overall, most outreach participants said that collecting and storing information for the EIR calculation is typically performed off-site, meaning it is not integrated into the

core systems of an entity. Information from the customer contract systems, which legally must be maintained according to the terms in the contracts with customers, is generally used for accounting purposes as well.

14. The participants that reflect conditional terms in the EIR calculation said that they use either of the following methods, depending on facts and circumstances:

(a) **the most likely outcome**—the single most likely outcome in a range of possible outcomes. This is the most common method used among both financial and non-financial institutions. For instance, representatives of non-financial institutions noted that this is the only method they use in calculating EIR for financial liabilities. In their view, the method is practical because it is a binary estimate of whether management expects the contingent event to occur or not, rather than considering a range of possible outcomes. However, they noted that this method requires estimation on an individual financial instrument basis (ie it is less suitable for a collective estimate).

(b) **the probability-weighted amounts (expected value)**—based on a range of possible outcomes. This method is applied in some cases, primarily in context of collective estimates when there is a range of possible outcomes that are neither binary nor concentrated on one outcome. Some banks said that they use a probability-weighted method in estimating the expected cash flows for a homogenous portfolio of financial assets (for example, retail loan portfolios) in estimating the probability that the prepayment feature will be exercised.

15. Most outreach participants said that the IASB should not require a specific method. As noted in paragraph 14, they were of the view that the most appropriate method depends on specific facts and circumstances. A few of these participants suggested that any potential clarifications for this matter should at least be consistent with the

principles in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or in IFRIC 23 *Uncertainty over Income Tax Treatments*. [1]

Staff analysis

16. Based on our analysis of the outreach feedback on this topic, we note that:

(a) the diversity in application arising from whether and which conditional terms entities reflect in the estimate of expected cash flows for calculating EIR is not caused by IFRS 9. As noted in paragraphs 9–11, participants generally agreed that IFRS 9 clearly requires those terms be reflected. The entities that do not reflect such terms generally do so because of materiality judgements or insufficient information available to make a reliable estimate. Amending the requirements in IFRS 9 would therefore be unlikely to bring any meaningful change in practice.

(b) the diversity in application arising from entities using either of the methods described in paragraph 14 largely arises due to the entities' judgements based on facts and circumstances. Potential clarifications to IFRS 9 might assist entities in making those judgements on a more consistent basis (for example, by discussing circumstances in which a method might be appropriate, similar to IAS 37) and facilitate auditing. However, consistent with project criteria, the IASB would need to evaluate whether financial reporting would be significantly improved through such clarifications. Outreach suggest that entities are already exercising judgement on choosing the most appropriate method to use based on specific facts and circumstances.

[1] Paragraphs 39–40 of IAS 37 provide principles about determining a best estimate in context of the amount recognised as a provision, stating that uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Methods of estimation such as probability-weighting, the mid-point of the range, or the most likely outcome are mentioned alongside circumstances where their use would be appropriate for purpose of determining the best estimate of the liability. Similarly, paragraph 11 of IFRIC 23 requires that an entity reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the probability-weighted method, depending on which method the entity expects to better predict the resolution of the uncertainty.

2. Subsequent changes to the effective interest rate

Background

IFRS 9 requirements
Paragraph B5.4.5 of IFRS 9 applies to floating-rate financial instruments, stating: For floating-rate financial assets and floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate. If a floating-rate financial asset or a floating-rate financial liability is recognised initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or the liability. **Paragraph B5.4.6 of IFRS 9** applies to changes in estimated future cash flows of a financial instrument other than those addressed in paragraph B5.4.5 of IFRS 9, stating: If an entity revises its estimates of payments or receipts …, it shall adjust the gross carrying amount of the financial asset or amortised cost of a financial liability (or group of financial instruments) to reflect actual and revised estimated contractual cash flows. … The adjustment is recognised in profit or loss as income or expense.
Feedback on the PIRs of IFRS 9
Many respondents to the PIRs of IFRS 9 reiterated the long-standing request for clarifications on what subsequent changes in estimated cash flows are accounted for by adjusting the EIR (applying paragraph B5.4.5 of IFRS 9) or through a cumulative catch-up adjustment (applying paragraph B5.4.6 of IFRS 9). They further asked for clarification on the meaning of phrases used in paragraph B5.4.5: • a '**floating-rate**' financial instrument—whether this refers to the overall contractual rate or only a component or element thereof; and • '**movements in the market rates of interest**'—whether this includes any contractually specified adjustments to the contractual interest rate.

17. Our questions for outreach participants in this topic aimed to determine if there is a consistent rationale that informs the application of paragraph B5.4.5 versus paragraph B5.4.6 of IFRS 9. Specifically, we sought to understand the basis on which entities currently decide whether to apply paragraph B5.4.5 or paragraph B5.4.6 of IFRS 9.

18. Outreach feedback does not identify a common principle or rationale. Participants reported different practices and interpretations regarding the requirements in paragraph B5.4.5 and paragraph B5.4.6 of IFRS 9.

19. A few participants said that they take a '**narrow view**' of changes in interest rates that are reflective of 'movements in market rates of interest' and therefore, they only apply paragraph B5.4.5 to account for movements in benchmark component of an interest rate. Changes arising from borrower-specific factors are not viewed as reflective of movements in market rates of interest. For example, the changes in interest rates due to credit ratchets where the rate is reset to reflect changes in the *fixed credit spread* of the borrower are not considered reflective of movements in market rates of interest. Consequently, these changes are accounted for through a cumulative catch-up adjustment applying paragraph B5.4.6 of IFRS 9, not by adjusting the EIR applying paragraph B5.4.5.

20. Many other participants said that they take a '**broad view**' on the changes in interest rate that they consider reflective of 'movements in the market rates of interest'. In their view, 'market rates of interest' can relate to one or more of the different components that comprise the contractual interest rate and arise from both market-wide changes and changes arising from borrower-specific factors.

21. Some of these participants reasoned that while only a component of the interest rate may be reset to market (such as the benchmark component), paragraph B5.4.5 does not only apply to this floating component. Rather, in their view, the **overall** contractual interest rate of such an instrument is considered a 'market floating-rate' and **any** change in that overall rate is accounted for by adjusting the EIR applying paragraph B5.4.5 of IFRS 9.

22. For example, in contrast to the 'narrow view', these participants deemed the changes in interest rates due to credit ratchets as reflective of movements in market rates of interest and thus accounted for such changes by adjusting the EIR applying paragraph B5.4.5 of IFRS 9. However, they acknowledged that an adjustment to the contractual interest rate predetermined when entering into a contract cannot reflect the future

market rate of interest. It can only reflect an expectation of what a market rate of interest might be at the time the contingent event occurs.

23. Some of these participants explained that the key assessment they make is whether a movement in any component of the contractual interest rate is designed to effectively reset the overall interest rate to its prevailing market rate (ie to its fair value). These participants did not distinguish between the general movements in the market rates of interest (such as benchmark interest) that are not borrower-specific, and the changes in the market rate for a particular financial instrument that reflect borrower-specific factors (such as changes in its credit risk).

24. Some outreach participants took a 'broad view' even on the type of instruments in scope of paragraph B5.4.5 of IFRS 9, applying it even to some fixed-rate instruments. This is despite the clear reference in that paragraph to floating-rate instruments. For example, they view a **fixed-rate** loan that the borrower may prepay at any time at par, or with only negligible compensation, as similar to a 'floating-rate' loan. The prepayment feature enables the borrower to renegotiate the interest rate at any time to align with the prevailing market rate which, in their view, makes it a floating-rate loan.

Staff analysis

25. Based on our analysis of the outreach feedback on this topic, we note that the diversity in application of requirements in paragraph B5.4.5 and B5.4.6 of IFRS 9 arises due varied interpretations of what changes in interest rates are reflective of a 'movement in market rates of interest'.

26. These interpretations arise because, among other reasons, IFRS 9:

(a) describes the mechanisms of accounting for subsequent changes in interest rates in paragraphs B5.4.5 and B5.4.6 without articulating what are they designed to achieve.

(b) uses the phrase 'market rates of interest' differently in different parts of the Standard. For instance, paragraph B5.1.1 of IFRS 9 refers to the 'prevailing market rate(s) of interest' used to determine the fair value of a financial instrument at initial recognition, while paragraph B5.4.5 refers to 'movements in the market rates of interest' without any further explanation of what this means or, whether or not this is similar to the concept of fair value.

27. In our view, the diversity in application that arises from varying interpretations is different from those instances where management exercises judgement based on specific facts and circumstances. The diversity in application noted in paragraphs 19–24 demonstrates that for the same financial instruments, in the same market, entities might reach different conclusions.

28. In our view, any potential clarification by the IASB to address these issues would therefore first need to clarify what are the objectives of the requirements in paragraph B5.4.5 and B5.4.6 of IFRS 9. Specifically, what each set of requirements aims to achieve or what information is designed to provide. For example, whether the aim of the requirements in paragraph B5.4.5 is:

(a) to reset to market only the variables or components that are linked to the general movements in the market rates of interest (for example, benchmark component) ie the movements that are not specific to a particular entity. Such movements apply equally to all financial instruments with an interest rate referenced to such a market-based variable. This rationale might, for instance, support the 'narrow view' described in paragraph 19; or

(b) to reset the whole interest rate of a financial instrument to its prevailing market rate (ie to provide fair value information). This would suggest that the term 'market rate of interest' is linked to the concept of fair value as defined in IFRS 13 *Fair Value Measurement* and is described in paragraph B5.1.1 of IFRS 9 as the rate of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating.[2] This

[2] In January 2016, the IFRS Interpretations Committee discussed a request to clarify the application of the embedded derivative requirements of IAS 39 *Financial Instruments: Recognition and Measurement* in a negative interest rate environment. The

rationale would imply that the market rate of interest may include the credit spread appropriate for a particular financial instrument and not just the benchmark component of the rate. Such rationale might support the 'broad view' noted in paragraph 20. However, the basis for such a rationale would be counterintuitive given these paragraphs set out the IFRS 9 requirements for amortised cost measurement, not for fair value measurement.

3. Modification of financial instruments

Background

IFRS 9 requirements

Financial liabilities

Paragraph 3.3.2 of IFRS 9 sets out requirements for modifications and exchanges of financial liabilities with the same lender and describes modifications with reference to **modification of the terms** of an existing liability or a part of it (whether or not attributable to the financial difficulty of the debtor).

Paragraph B3.3.6 of IFRS 9 provides application guidance about assessing whether a modification is substantial, resulting in derecognition of a financial liability. The guidance includes a quantitative test—**'ten per cent test'** (that is, if the discounted present value of the cash flows under the new terms is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability).

Financial assets

Paragraph 3.2.3 of IFRS 9 focusses on an assessment of contractual cash flows and provides specific requirements when an entity derecognises a financial asset.

Paragraph 5.4.3 of IFRS 9 sets out requirements for modification of financial assets that do not result in derecognition, with reference to **modification of contractual cash flows**.

For financial assets, IFRS 9 has no specific guidance for assessing whether a modification results in a derecognition of an asset.

Committee noted that [for the purposes of paragraph AG33(b) of IAS 39] the term '**market rate of interest**' is linked to the concept of fair value as defined in IFRS 13 and is described in paragraph AG64 of IAS 39, replicated in paragraph B5.1.1 of IFRS 9, as the rate of interest 'for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating'. The Committee also observed that paragraphs B4.3.8(b) and B5.1.1 of IFRS 9 replicate the requirements of paragraphs AG33(b) and AG64 of IAS 39. Consequently, the observations noted in this agenda decision would be equally applicable to financial liabilities accounted for in accordance with IFRS 9.

Feedback on the PIRs of IFRS 9

What constitutes a 'modification'?

Some respondents to the PIRs of IFRS 9 noted that IFRS 9 does not define 'modifications' for purposes of applying IFRS 9. They said that the use of different terms—modification of contractual terms versus contractual cash flows—in different parts of the Standard to describe modifications creates application challenges and adds to diversity in practice.

How to determine whether a modification results in derecognition?

Most respondents were of the view that there is insufficient guidance in IFRS 9 on how to determine if a modification results in derecognition including how to assess whether a modification is 'substantial' and when to use qualitative or quantitative indicators or both.

They further asked:

- for financial liabilities—whether the assessment of a modification as 'substantial' is purely e based on the quantitative ten per cent test (as described in paragraph B3.3.6 of IFRS 9) or an entity can conclude on the assessment based on qualitative factors, even if the ten per cent test is not met.
- for financial assets—how to assess if a modification results in derecognition given IFRS 9 has no guidance.

Outreach feedback

What constitutes a 'modification'?

29. Outreach feedback suggests that despite the difference in wording between paragraphs 3.3.2 and 5.4.3 of IFRS 9, there is no diversity in practice regarding what constitutes a modification of a financial asset or liability. All outreach participants said that the trigger for a modification is a change in **contractual terms**, ie only the changes that arise from bilateral agreement between counterparties.

30. They would be concerned if the IASB were to make amendments to IFRS 9 requiring entities to account for modifications even if the terms of the contracts remain unchanged, as this would significantly increase operational costs for tracking changes in contractual cash flows (for example, tracking changes in cash flows arising from in-contract covenants being triggered).

How to determine whether a modification results in derecognition?

31. Almost all outreach participants said that assessing whether a modification is substantial, resulting in derecognition of a financial instrument (modification assessment), is the area with the greatest diversity in application. They attributed this diversity to insufficient guidance in IFRS 9 and the guidance being asymmetrical between financial assets and financial liabilities.

32. In describing the practices for the modification assessment on **financial liabilities**:

    (a) some participants said that they first do a quantitative test (ie the ten per cent as specified in paragraph B3.3.6 of IFRS 9) and, if that test is not met, then they also do a qualitative analysis (for example, assessing if terms such as maturity or currency have been changed). Others said that they perform qualitative analysis regardless the outcome of the ten per cent test.

    (b) a few others said that they rely solely on the ten per cent test, without any further qualitative assessment.

    (c) some participants also said there are varied practices regarding which cash flows are included in the 10 per cent test. For example, some include in the test cash flows relating to terms such as extensions, others exclude such terms.

33. In describing the practices for the modification assessment on **financial assets**, some participants said they perform only qualitative tests (for example, by considering whether a modification results in a financial asset no longer having cash flows that are solely payments of principal and interest), whereas a few others said they apply the ten per cent test in addition to the qualitative test.

34. In contrast, participants from some financial institutions said that because IFRS 9 lacks explicit guidance for the modification assessment for financial assets, they have developed their own accounting policies. They determine the accounting outcomes based on the staging of the modified financial asset for expected credit losses (ECL) and the reason behind its modification:

(a) if a modified financial asset is classified in stage 1 (performing) for ECL purposes, they would deem it as a **substantial modification** and thereby account for it by derecognising the original asset and recognising a new on-market asset. In their view, the modification of a performing financial asset is equivalent to the prepayment of the original asset and issuance of new asset at the prevailing market terms, and therefore the accounting outcome must align to that of a newly originated asset.

(b) if a modified financial asset is classified in stage 2 (underperforming) or stage 3 (credit-impaired), they would deem it as a **non-substantial modification** and either account for it applying paragraph B5.4.6 of IFRS 9 or not account for such a modification at all. They reasoned that modifications of stage 2 or stage 3 financial assets are typically due to deterioration of the borrower's credit risk and as such the effects have essentially already been accounted for as ECL. Bypassing the modification assessment for stage 2 and 3 financial assets ultimately aims to avoid a 'reset of ECL stages' which participants said is consistent with regulatory guidelines. Specifically, this practice aims to avoid instances where a modification of, for example, a stage 3 loan results in derecognition of that loan and recognition of a 'new' stage 1 loan.

35. Overall, most outreach participants asked the IASB for clarifications and additional application guidance on performing the modification assessment required by IFRS 9. Some suggested the clarifications be principle-based, for example, in the form of qualitative factors that entities are required to consider in assessing whether a modification results in derecognition. Others asked the IASB to specify:

(a) how to do the modification assessment for a financial asset. A few of these participants encouraged the IASB to require the assessment to be based on the reason for a modification—distinguishing between modifications done purely for commercial reasons for which there is no deterioration of borrower's credit risk since initial recognition versus those due to deterioration of credit risk.

(b) how to perform the 'ten per cent test', including clarifying which cash flows are included in this test (for example, whether potential extensions should be reflected in the discounted present value of cash flows).

(c) how to do the modification assessment for revolving credit facilities, such as credit cards and overdraft facilities. Participants said that performing the modification assessment for these instruments is particularly challenging because these instruments do not have a fixed term or repayment structure. For example, if a revolving credit facility is undrawn, the EIR has not been set and the carrying amount is zero, making it challenging to do any quantitative assessment like the 'ten per cent test'.

Staff analysis

36. We think it is clear from the outreach feedback that the root cause for the diversity in application of the requirements relating to the modification of financial instruments is mostly because IFRS 9 lacks explicit requirements or sufficient application guidance, particularly for financial assets.

37. In exploring potential solutions, the IASB would need to consider, to what extent (if any) the requirements and the related application guidance should be aligned between financial assets and financial liabilities. To the extent that differences in requirements or terminology are justified, potential clarifications should also include basis for such conclusions to avoid any unintended consequences.

38. We note the feedback described in paragraph 34(b), whereby some entities choose to not account for the effects of a modification that arises because of deterioration of the borrower's credit risk, arguing that such effects are best accounted for as ECL. The diversity in application arising here is not due to unclear requirements.

39. IFRS 9 has clear definitions for the gross carrying amount of a financial asset and for credit loss. For instance, credit loss is defined as the difference between all contractual cash flows that are **due to an entity in accordance with the contract** and all the cash

flows that the entity expects to receive (ie all cash shortfalls). It therefore follows that when contractual cash flows are modified, ECL is based on the modified cash flows, not on the original ones. Consequently, an entity cannot avoid remeasuring the gross carrying amount of a financial asset following a modification, as this would be inconsistent with the definitions in IFRS 9 for gross carrying amount and for credit loss.

40. However, we acknowledge that the presentation of the gains or losses in this scenario might appear counterintuitive. That is because, even if a modification is due to deterioration of borrower's credit risk, the accounting outcome might be a release on the ECL allowance (ie a gain in the impairment line item in profit or loss) and a modification loss in a different line item. Recognising an impairment gain is contradictory to the fact that the borrower's credit risk has deteriorated since initial recognition, and the lender might have lost cash flows expected at origination of the financial instrument.

Other comments

41. Only some outreach participants provided additional comments. Those who did generally echoed the feedback from PIRs related to other application issues which are in scope of the project.

42. Specifically, these participants noted the need to clarify the boundaries between modification, derecognition (including write-off), and impairment. They identified various scenarios where application challenges arise due to insufficient guidance on these concepts (for example, applying the concept of 'extinguishment' to assess derecognition of lease liabilities). Additionally, participants highlighted the importance of clarifying the sequence of applying requirements when multiple sets of requirements are applicable (for example, whether an entity should first revise the ECL of a financial instrument before performing the 'ten per cent test' or vice versa).

43. Similarly, on distinguishing between partial derecognition versus modification of contractual cash flows, some preparers who provided feedback on this area said that

they generally do not apply the requirements for partial derecognition because of their complexity. They asked the IASB clarify when to apply those requirements and the intersection with the other requirements in IFRS 9.

44. Overall, outreach feedback suggested that diversity in application of these requirements is mostly because of the lack of explicit accounting requirements or insufficient application guidance.

Questions for the IASB

Questions for the IASB
Does the IASB have any comments or questions on the outreach feedback in this paper? Specifically: a) is there any feedback that is unclear or unexpected? and b) are there any points you would like staff to research further or points you would like to highlight for the staff to consider for purposes of future deliberations?

Appendix A—Outreach Information

Structure of outreach events

A1. This appendix provides statistical information about ten outreach events. These include nine outreach meetings that IASB members and staff attended, as well as a case in which responses to outreach questions were received via email.

A2. As discussed by the IASB at its February 2025 meeting, to maximise efficiency, we conducted outreach with groups of stakeholders, such as preparer industry groups or mixed stakeholders from a jurisdiction, rather than meeting with individual entities. Representatives from 90 individual entities participated in outreach, over 60 per cent of which were preparers. See table 3 for further information.

Analysis of outreach by geographical distribution and stakeholder type

Table 1—Number of outreach events by region

Region	Number of events
Global	1
Europe	4
Asia-Oceania	3
Africa	1
North America	1
Total	**10**

Table 2—Number of outreach events by stakeholder type

Type of stakeholder	Number of events
Financial Institutions	4
Non-financial institutions	1
Mixed stakeholders	4
Regulators	1
Total	**10**

Table 3—Detailed analysis of outreach events by type of stakeholder

Type of Stakeholder	Number of institutions / entities	Per cent
Preparer	60	66%
of which financial institutions	*46*	*50%*
of which non-financial institutions	*14*	*16%*
Association (banking or other industry and chartered accountant associations)	9	10%
Accounting firm	7	8%
National standard-setter	5	6%
Academia	5	6%
Regulator	4	4%
Total	**90**	**100%**

Questions asked

A3. The questions we asked during outreach aimed to understand how do entities:

(a) account for conditionality in contractual cash flows (for example, adjustments that might affect the interest rate or the principal amount) when estimating expected cash flows. What method or technique is used for this purpose and why? Responses to these questions are summarised under topic 1.

(b) determine whether changes in expected cash flows are accounted for by adjusting the EIR (ie applying paragraph B5.4.5 of IFRS 9) or through a cumulative catch-up adjustment (ie applying paragraph B5.4.6 of IFRS 9). How do they interpret the phrase a 'floating-rate' financial asset or liability or the phrase 'movements in market rates' for purposes of applying paragraph B5.4.5 of IFRS 9? Responses to these questions are summarised under topic 2.

(c) account for a modification applying IFRS 9 and the underlying rationales. Specifically:

  (i) do they distinguish between a 'change in contractual terms' and a 'change in the contractual cash flows' for purpose of applying IFRS 9?

  (ii) how do they assess whether a modification is substantial leading to derecognition of a financial instrument? When is the 'ten per cent test' used for this assessment? Does the assessment approach differ between that for financial assets and that for financial liabilities.

Responses to these questions are summarised under topic 3.

A4. We also asked participants for any other matters for which entities face significant challenges or observe significant diversity relating to application of the amortised cost measurement requirements in IFRS 9. Responses to this question are summarised under other comments section of this paper.