PRESS RELEASE

IASB issues additions to IFRS 9 for financial liability accounting

The International Accounting Standards Board (IASB) has today issued requirements on the accounting for financial liabilities. These requirements will be added to IFRS 9 *Financial Instruments* and complete the classification and measurement phase of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. They follow the IASB's November 2009 issue of IFRS 9, which prescribed the classification and measurement of financial assets.

The new requirements address the problem of volatility in profit or loss (P&L) arising from an issuer choosing to measure its own debt at fair value. This is often referred to as the 'own credit' problem.

In response to feedback received during its consultation process, the IASB decided to maintain the existing amortised cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within P&L.

Commenting on the amendments, Sir David Tweedie, Chairman of the IASB, said:

> "The new additions to IFRS 9 address the counter-intuitive way a company in severe financial trouble can book a large profit based on its theoretical ability to buy back its own debt at a reduced cost."

IFRS 9 applies to financial statements for annual periods beginning on or after 1 January 2013. Entities are permitted to apply the new requirements in earlier periods, however, if they do, they must also apply the requirements in IFRS 9 that relate to financial assets.

The second and third phases of IFRS 9 are concerned with accounting for the impairment of financial assets and hedge accounting. The IASB is aiming to complete those phases by 30 June 2011, by adding the impairment and hedge accounting requirements to IFRS 9 and, therefore, replacing IAS 39 in its entirety.

A Feedback Statement, outlining how the IASB responded to views received in its consultation process, is available by clicking **here**. A podcast introduction to the new additions to IFRS 9 is available via iTunes, or by clicking **here**.

Ends

Press enquiries:

Gillian Bishop, Communications Manager, IFRS Foundation
Telephone: +44 (0)20 7246 6463
Email: gbishop@ifrs.org

Technical enquiries:

Sue Lloyd, Associate Director, IASB
Telephone: +44 (0)20 7246 6454
Email: slloyd@ifrs.org

Liz Figgie, Technical Principal, IASB
Telephone: +44 (0)20 7246 6925
Email: lfiggie@ifrs.org

Notes to editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the IFRS 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. The IASB currently has 15 full-time members drawn from 11 countries and a variety of professional backgrounds. By 2012 the Board will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.