



International Accounting Standards Board®

# Press Release

19 March 2008

## **IASB publishes a discussion paper as first step towards reducing complexity in reporting financial instruments**

The International Accounting Standards Board (IASB) today published for public comment a discussion paper *Reducing Complexity in Reporting Financial Instruments*.

The existing requirements for the reporting of financial instruments are widely regarded as difficult to understand, interpret and apply and constituents have urged the IASB to develop standards that are principle-based and less complex. The document is the first stage in a project which aims to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

The discussion paper analyses the main causes of complexity in reporting financial instruments and proposes possible intermediate approaches to address some of them. Those approaches seek to improve and simplify measurement and hedge accounting by amending or replacing the existing requirements. Furthermore the discussion paper sets out the arguments for and against a possible long-term approach that would use one measurement method for all types of financial instruments in the scope of a financial instruments standard.

The IASB seeks views on both the possible long-term and intermediate approaches and is interested to hear about possible alternatives on how it should proceed in developing new standards for reporting financial instruments that are principle-based and less complex.

The publication of the discussion paper also fulfils the commitment set out in the Memorandum of Understanding between the IASB and the US Financial Accounting Standards Board (FASB) *A Roadmap for Convergence between IFRSs and US GAAP – 2006–2008*. The discussion paper will be considered for publication by the FASB for comment by its constituents.

Introducing the discussion paper, Sir David Tweedie, IASB Chairman, said:

IAS 39, which the IASB inherited from its predecessor body, is far too complex. We are determined to simplify and improve IAS 39 by creating a principle-based

standard. Those who believe in reducing complexity in accounting standards have now the opportunity to shape the way ahead.

The IASB invites comments on the discussion paper by 19 September 2008. For more details on the project, see the project Website 'Financial Instruments' on [www.iasb.org](http://www.iasb.org).

The discussion paper *Reducing Complexity in Reporting Financial Instruments* is available on the Website from today.

Printed copies (ISBN 978-1-905590-59-9) will be available shortly, at £10.00 plus shipping, from the IASC Foundation Publications Department.

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**Notes for editors**

***About the long-term projects on the accounting for financial instruments***

In addition to the project to replace IAS 39 *Financial Instruments: Recognition and Measurement* the IASB is undertaking two other long-term projects to improve and simplify the accounting for financial instruments.

**Distinction between liabilities and equity**

This project aims to improve the requirements in IAS 32 *Financial Instruments: Presentation* for distinguishing between asset and liability financial instruments (non-equity instruments) and equity financial instruments. The project is a modified joint project by the IASB and the US Financial Accounting Standards Board (FASB). The FASB led the initial research stage and published a Preliminary Views document *Financial Instruments with Characteristics of*

*Equity* in November 2007. In February 2008 the IASB published for public comment a discussion paper on this topic. The goal of the discussion paper is to solicit the views of interested parties on whether the proposals in the FASB document are a suitable starting point for the IASB's deliberations. The paper is open for public comment until 5 September 2008.

### **Derecognition of financial instruments**

Constituents have for a long time commented that the derecognition requirements in IAS 39, which the Board inherited from its predecessor body, the International Accounting Standards Committee (IASC), are too complex. The requirements under IAS 39 are also fundamentally different from the requirements for derecognising financial instruments in US standards. Therefore the IASB and the FASB directed the staff in April 2005 to begin a research project to develop an approach to derecognition with an initial focus on financial assets that would be an improvement to both IAS 39 and the US equivalent. The boards also directed the staff to consider as a part of that research project the feasibility of developing a broader derecognition standard that would apply to all types of assets.

### ***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 (12 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.