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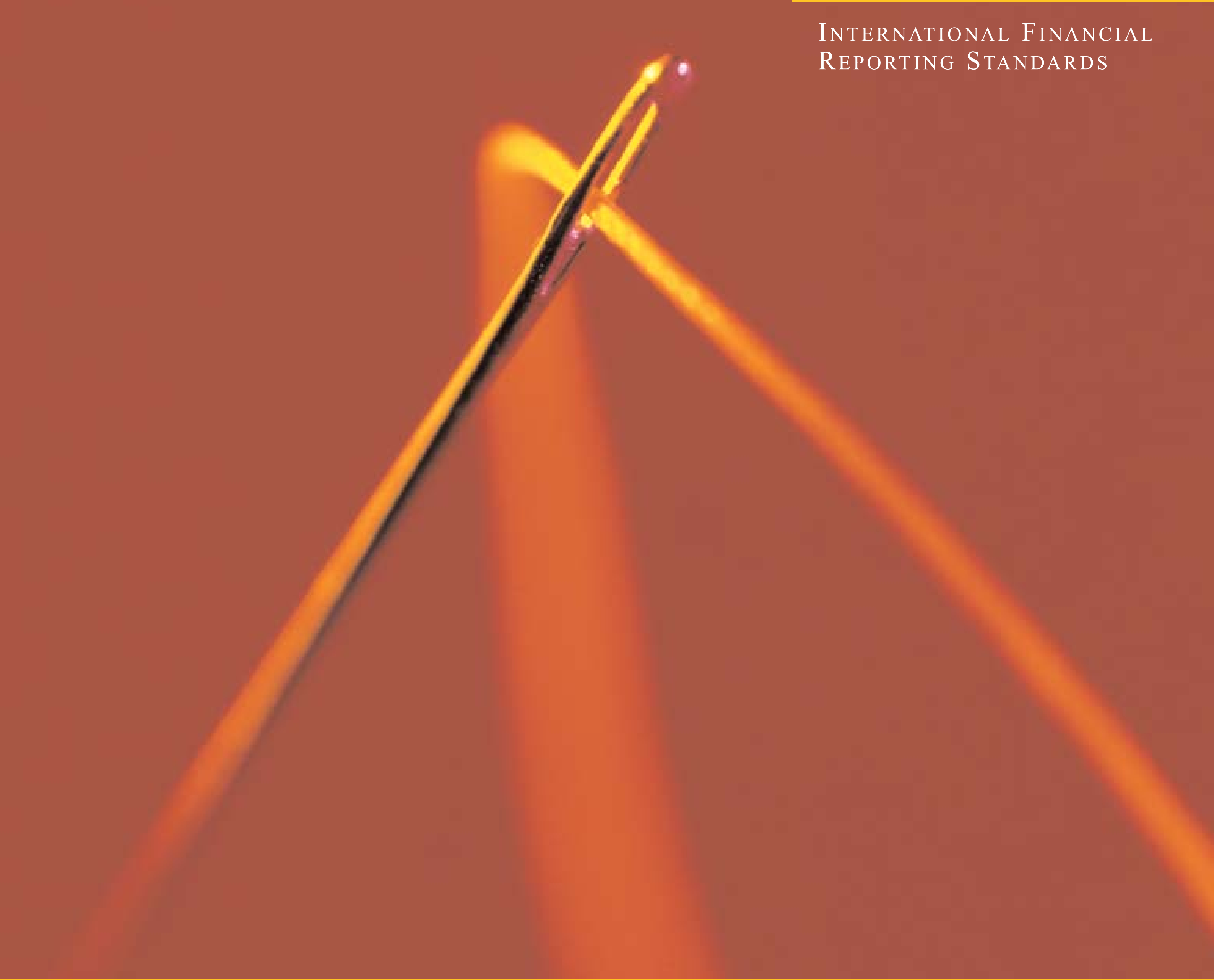

Ernst & Young

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IFRS 7 *Financial Instruments: Disclosures*

Introduction

This publication provides an overview of IFRS 7 *Financial Instruments: Disclosures* (IFRS 7 or the Standard) in addition to discussing the main differences compared to the existing disclosure requirements for financial instruments. A comprehensive comparison between IFRS 7 and existing disclosure requirements is presented as an Appendix to this publication.

IFRS 7 incorporates the disclosures relating to financial instruments contained in IAS 32 *Financial Instruments: Disclosure and Presentation*[1] and replaces IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions,* so that all financial instruments disclosures are located in a single Standard for all types of entities. The disclosure requirements contained in IFRS 7 are less prescriptive than those in IAS 30 for banks and there are no longer any bank-specific disclosure requirements.

All the disclosures required by IFRS 7, except for the risk disclosures, must be part of the financial statements with minimum disclosure requirements subject to the materiality requirements of IAS 1 *Presentation of Financial Statements*. The qualitative and quantitative risk disclosures required by IFRS 7 may be provided in the financial statements or incorporated by reference from the financial statements to another statement (eg, the management commentary or a risk report).

IFRS 7 introduces:

- requirements for enhanced balance sheet and income statement disclosure 'by category' (eg, whether the instrument is available-for-sale or held-to-maturity)
- information about any provisions against impaired assets
- additional disclosure relating to the fair value of collateral and other credit enhancements used to manage credit risk
- market risk sensitivity analyses.

[1] Including amendments issued in 2005 for *The Fair Value Option* and *Financial Guarantee Contracts*.

Scope

IFRS 7 applies to all risks arising from all financial instruments, including those instruments that are not recognised on-balance sheet. Consistent with IAS 30 and IAS 32, there is no scope exemption for subsidiaries or, as yet, for small- and medium-sized entities, but the IASB has agreed to consider this issue in its project on financial reporting for small- and medium-sized entities. The application to subsidiaries may present a challenge to entities that are members of a consolidated group as they often manage risk on a consolidated basis. Furthermore, the requirement to provide the disclosure for each entity may provide limited value to users of financial statements (compared to the cost of compilation) when the information is already disclosed at the group level.

IFRS 7 disclosures must be presented based on the accounting policies used for the financial statements prepared in accordance with IFRS, including consolidation adjustments. It is possible that the internal information made available to management for risk management purposes is not prepared using such accounting policies, in which case it will need to be amended. A good example is when hedging transactions are economically effective but do not qualify for hedge accounting.

Balance Sheet

IFRS 7, as with IAS 32, does not prescribe the location of the required balance sheet disclosures. An entity is permitted to present the required disclosures either on the face of the balance sheet or in the notes to the financial statements. When the Standard requires disclosure by class of financial instrument, the entity shall group instruments in classes that are appropriate to the nature of the information disclosed and the characteristics of the instruments. IFRS 7 requires additional detail in the disclosures for each category of financial instruments such as financial assets held at fair value through profit or loss or available-for-sale. In contrast, IAS 32 only requires separate disclosure of financial instruments carried at fair value through profit or loss, although the level of detail required by IFRS 7 is not as prescriptive as the requirements of IAS 30. The required core balance sheet disclosures for each category of financial assets and financial liabilities in IFRS 7 are similar to those in IAS 32 and include the carrying amount and related fair value, along with the amount and reason for any reclassifications between categories.

Balance sheet disclosures include the following:

Loans and receivables at fair value through profit or loss

IFRS 7 contains the disclosure requirements for loans and receivables at fair value through profit or loss introduced in IAS 32 as a result of the IAS 39 fair value option amendment. These include the maximum credit exposure, the impact of credit derivatives on the credit exposure, and the change in the fair value of the loan or receivable (or group of loans or receivables) and any related credit derivatives due to changes in credit risk, both during the period and cumulatively since designation.

Financial liabilities at fair value through profit or loss

IFRS 7 includes the requirement in IAS 32 to disclose the change in the fair value of a financial liability due to credit risk, that was introduced as part of the amendment to IAS 39 for the fair value option. IFRS 7 also requires disclosure of the method used to determine the change in fair value due to credit risk. Entities are required to use the methodology described in IFRS 7, unless they can demonstrate that an alternative method is a better approximation.

Other sundry balance sheet disclosures:

- *Derecognition*: certain information is required to be disclosed when all or part of transferred financial assets do not qualify for derecognition, or when there is 'continuing involvement'
- *Collateral given*: disclosure is required of the carrying amount in addition to the terms and conditions of financial assets pledged as collateral
- *Collateral received*: an entity must disclose the fair value and terms and conditions of assets received as collateral which the entity has right to sell or repledge in the absence of default
- *Allowance for credit losses*: IFRS 7 requires disclosure of a reconciliation of the allowance for credit losses for all financial assets, whereas IAS 30 requires a similar disclosure only for loans and advances
- *Compound financial instruments with multiple embedded derivatives*: disclosure must be made of the existence of multiple embedded derivatives whose values are interdependent (eg, callable convertible debt)
- *Defaults and breaches*: disclosure is required of the details and carrying amounts of liabilities that are in default.

Income statement

Similar to the minimum balance sheet disclosures, an entity is permitted to present the required income statement disclosures on either the face of the income statement or in the notes to the financial statements. The income statement disclosures required by IFRS 7 are more prescriptive than those required by IAS 32, although not as detailed as the requirements of IAS 30. For example, IAS 32 only requires separate disclosure of the net gains or net losses of financial instruments carried at fair value through profit or loss, whereas IFRS 7 requires the disclosure of this information for all categories of financial assets and financial liabilities.

IAS 32 disclosures retained in IFRS 7 include:

- total interest income and total interest expense from financial assets and financial liabilities that are not measured at fair value through profit or loss
- available-for-sale gains or losses recognised in equity, in addition to those amounts reclassified from equity to profit or loss
- interest accrued on impaired financial assets.

Disclosure requirements introduced by IFRS 7:

- net gains or losses for each category of financial asset or financial liability
- impairment losses for each category of financial asset
- fee income and expense (other than amounts included in the determination of the effective interest rate) for financial assets and financial liabilities not measured at fair value through profit or loss
- fee income and expense from trust and other fiduciary activities.

Other disclosures

Accounting policies

IAS 1 already requires disclosure of an entity's significant accounting policies but IFRS 7 prescribes specific disclosure of certain policies relating to financial instruments. The Application Guidance to IFRS 7 provides more specific guidelines for disclosure of accounting policies than currently required by IAS 32. It introduces disclosure of the criteria for (1) designating financial assets and financial liabilities as at fair value through profit or loss, (2) designating financial assets as available-for-sale, and (3) the use of an allowance account (ie, bad debt reserve), including the criteria for writing off amounts charged to such an account.

Hedge accounting

The following table summarises the hedge accounting disclosures required by IFRS 7. IFRS 7 expands on the requirements of IAS 32 in that the gain or loss on a hedging instrument in a cash flow hedge that is transferred from equity to profit or loss must be analysed by income statement caption. Additionally, IFRS 7 introduces the disclosure of the amount of ineffectiveness recognised in profit or loss for cash flow hedges and hedges of net investments in foreign operations, and the gain or loss on the hedging instrument and hedged item attributable to hedged risk for fair value hedges.

Disclosure	Fair value hedges	Cash flow hedges	Net investment hedges
Description of hedged risk and hedging instrument with related fair values	X	X	X
When hedged cash flows are expected to occur		X	
Forecast transactions no longer expected to occur		X	
Gain or loss recognised in equity and reclassifications to P&L		X	
Gain or loss from hedging instrument and hedged risk	X		
Ineffectiveness recognised in P&L		X	X

Fair value

IFRS 7 retains the IAS 32 disclosures relating to the methods and significant assumptions used to determine fair value for different classes of financial assets and financial liabilities.

Required disclosures include:

- whether the fair value is based on quoted prices or valuation techniques
- whether the fair value is based on a valuation technique that includes assumptions not supported by market prices or rates, and the amount of profit recognised
- the effect of reasonably possible alternative assumptions used in a valuation technique.

Although 'whether' could, arguably, be answered with a qualitative analysis, it is presumed that this will require a quantitative analysis of the value of instruments that fall into the various categories.

IAS 32 currently requires disclosure of the nature and carrying amount of financial instruments whose fair value cannot be reliably measured, including an explanation of why this is the case. IFRS 7 expands the IAS 32 requirement to include how the entity intends to dispose of such financial instruments.

'Day 1' profit or loss

IAS 39 does not permit profits or losses to be recorded when a financial instrument is initially recognised (a 'Day 1' profit or loss), unless the fair value of the instrument is based on a valuation technique whose variables include only data from observable markets. IFRS 7 requires disclosure of any Day 1 profit or loss not recognised in the financial statements, together with the change in the amount previously deferred, plus the entity's policy for determining when amounts deferred are recognised in profit or loss.

Qualitative risk disclosures

IFRS 7 retains the qualitative disclosures required by IAS 32 relating to risks (ie, credit risk, liquidity risk, and market risk) to which an entity is exposed, including a discussion of management's objectives and policies for managing such risks. IFRS 7 expands these to include information on the processes that an entity uses to manage and measure its risks.

Quantitative risk disclosures

IFRS 7 expands on the quantitative disclosures contained in IAS 32, which are intended to provide information about the extent to which an entity is exposed to risks based on the information available to key management personnel, in addition to an overview of financial instruments used by the entity. IFRS 7 requires disclosure of all risk concentrations to which an entity is exposed, based on shared characteristics (eg, location, currency, economic conditions, and type of counterparts). Additionally, IFRS 7 requires a description of how management determines such concentrations.

Credit risk

For each class of financial instrument, IFRS 7 requires disclosure of the maximum credit exposure, net of any impairment losses, before consideration of collateral or other credit enhancements received (eg, netting agreements), plus a description of collateral and other credit enhancements available. IFRS 7 considers the maximum credit exposure for loans and receivables granted and deposits placed to be the carrying amount and for derivatives to be the current fair value.

New credit risk disclosures in IFRS 7 include:

- information relating to the credit quality of financial assets that are neither past due nor impaired (eg, a rating analysis)
- a description and fair value of collateral available to the entity as security and other credit enhancements
- collateral of which the entity has been taken control.

The disclosure of financial assets that are past due but not impaired may present an operational issue for many entities. Overdue information may not be readily available or it may not be captured by an entity's credit system until such time that it becomes past due by a critical period of time.

Liquidity risk

IAS 30 currently requires banks to disclose contractual maturity information about both financial assets and financial liabilities. IFRS 7 is less prescriptive and eliminates the requirement to disclose contractual maturities of financial assets. Financial liabilities must be disclosed by contractual maturity, based on undiscounted cash flows, which may or may not agree with the internal information made available to management. One of the difficulties in preparing a maturity analysis is the treatment of derivatives, which normally involve a series of cash flows. The guidance in IFRS 7 states that net amounts should be included in the analysis for pay float/receive fixed interest rate swaps for each contractual maturity category when only a net cash flow will be exchanged. Hence, a currency swap would need to be included in the maturity analysis based on gross cash flows.

The Application Guidance of IFRS 7 suggests time frames that may be used in preparing the contractual maturity analysis for liabilities.

IFRS 7 expands the disclosure of liquidity risk to include a description of how liquidity risks are managed.

Market risk

IFRS 7 requires the disclosure of a market risk sensitivity analysis which includes the effect of 'a reasonably possible change' in risk variables in existence at balance sheet date if applied to all risks in existence at that date, along with the methods and assumptions used in preparing the analysis. Market risk is defined as "the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices and includes interest rate risk, foreign currency risk and other price risk" (eg, equity and commodity risk).

The Application Guidance of IFRS 7 provides some guidance on what is 'a reasonably possible change' and includes:

- consideration of the economic environment in which the entity operates—remote or 'worst-case' scenarios or 'stress tests' are not included

- the entity should consider what changes are reasonably possible over the next reporting period
- the entity need not re-assess what is a reasonably possible change in risk variables if the rate of change of the underlying risk variable is stable.

Essentially, entities should disclose similar sensitivities to those that would be used for internal risk management purposes. For entities outside of the financial services industry, such information relating to market risk may not be readily available and compliance with the required disclosures may present a challenge.

IFRS 7 does not prescribe the format in which a sensitivity analysis should be presented, although exposures to risks from significantly different economic environments should not be combined. For example, an entity that trades financial instruments might disclose separately sensitivity information for financial instruments held for trading and those not held for trading.

IFRS 7 requires disclosure of the assumptions and methods, together with the objective of the methods used in preparing the sensitivity analysis. Additionally, the reasons for any changes from the previous period in the assumptions and methods used in performing the sensitivity analysis must be disclosed

Effective date and transition to IFRS 7

The transition paragraphs of IFRS 7 encompass three different transition periods:

- accounting periods beginning before 1 January 2006
- accounting periods beginning on or after 1 January 2006, and before 1 January 2007
- accounting periods beginning on or after 1 January 2007.

The application date of the Standard is for annual reporting periods beginning on or after 1 January 2007, but, as seems to be the trend nowadays on newly issued Standards, the IASB encourages early application by offering users certain exemptions as an incentive.

An explanation of the transition rules is included in the Implementation Guidance of IFRS 7. There are different transition rules depending on whether the entity is an existing user of IFRS or a first-time adopter:

Existing IFRS users:
Full comparative information must be provided unless IFRS 7 is adopted for periods beginning before 1 January 2006, in which case the entity is exempt from providing comparative risk disclosures.

First-time adoption of IFRS:
Full comparative information must be provided unless IFRS 7 is adopted for periods beginning before 1 January 2006, in which case the entity is exempt from providing comparative information for both the IFRS accounting disclosures and the risk disclosures.

IAS 1 amendment

Simultaneously with the publication of IFRS 7, the IASB issued an amendment to IAS 1. The amendment covers capital disclosures which were originally proposed to be included in IFRS 7. Similar to IFRS 7, the amendment applies to all entities that produce financial statements in accordance with IFRS and is effective for annual periods beginning on or after 1 January 2007.

The amendment requires the following disclosures:

- what an entity regards as its capital and qualitative information on the entity's objectives, policies, and processes for managing it
- summary quantitative information about the capital the entity manages
- whether an entity has complied with any externally-imposed capital requirements and information on the policies and process for managing external capital requirements.

Appendix

Comparison of IFRS 7 with IAS 32 and IAS 30

The following appendix contains a comprehensive comparison of the disclosure requirements in IFRS 7 to the current requirements of IAS 32 and IAS 30. The comparison is in a tabular format, presenting IFRS 7 in sequential order commencing at paragraph 1. The equivalent paragraph of IAS 32 or IAS 30 is shown in the second column (where appropriate), and the third column includes comments on the comparison, where applicable. Not all of the text of IAS 32 or IAS 30 has been included. The main differences between the Standards have been summarised in this part of the publication.

Comparison of IFRS 7 *Financial Instruments: Disclosures in the Financial Statements of Banks and Similar Financial Institutions* with IAS 32 *Financial Instruments: Disclosure and Presentation and IAS 30 Disclosures in the Financial Statements of Banks and Similar Institutions*

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Objective IFRS 7.1(a) The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance.	IAS 32.51 The purpose of the disclosures required by this Standard is to provide information to enhance understanding of the significance of financial instruments to an entity's financial position, performance and cash flows, and assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments.	Similar disclosure objectives.
IFRS 7.1(b) The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks. **Appendix A** **Defined terms** **Credit risk** – The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. **Currency risk** – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. **Interest rate risk** – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. **Liquidity risk** – The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. **Market risk** – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. **Other price risk** – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.	IAS 32.52 Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information to assist users of financial statements in assessing the extent of risk related to financial instruments. (a) *Market risk* includes three types of risk: (i) *currency risk* – the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. (ii) *fair value interest rate risk* – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. (iii) *price risk* – the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain. (b) *Credit risk* – the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. (c) *Liquidity risk* (also referred to as *funding risk*) – the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. (d) *Cash flow interest rate risk* – the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.	Similar definitions.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7.2 The principles in this IFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement.*	IAS 32.3 The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in IAS 39 *Financial Instruments: Recognition and Measurement.*	
Scope IFRS 7.3 This IFRS shall be applied by all entities to all types of financial instruments, except: (a) those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* or IAS 31 *Interests in Joint Ventures.* However, in some cases, IAS 27, IAS 28 or IAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using IAS 39; in those cases, entities shall apply the disclosure requirements in IAS 27, IAS 28 or IAS 31 in addition to those in this IFRS. Entities shall also apply this IFRS to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in IAS 32. (b) employers' rights and obligations arising from employee benefit plans, to which IAS 19 *Employee Benefits* applies. (c) contracts for contingent consideration in a business combination (see IFRS 3 *Business Combinations*). This exemption applies only to the acquirer. (d) insurance contracts as defined in IFRS 4 *Insurance Contracts.* However, this IFRS applies to derivatives that are embedded in insurance contracts if IAS 39 requires the entity to account for them separately. Moreover, an issuer shall apply this IFRS to financial guarantee contracts if the issuer applies IAS 39 in recognising and measuring the contracts, but shall apply IFRS 4 if the issuer elects, in accordance with paragraph 4(d) of IFRS 4, to apply IFRS 4 in recognising and measuring them.[1] (e) financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2 *Share-based Payment* applies, except that this IFRS applies to contracts within the scope of paragraphs 5-7 of IAS 39.	IAS 32.4 This Standard shall be applied by all entities to all types of financial instruments except: (a) those interests in subsidiaries, associates and joint ventures that are accounted for under IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* or IAS 31 *Interests in Joint Ventures.* However, entities shall apply this Standard to an interest in a subsidiary, associate or joint venture that according to IAS 27, IAS 28 or IAS 31 is accounted for under IAS 39 *Financial Instruments: Recognition and Measurement.* In these cases, entities shall apply the disclosure requirements in IAS 27, IAS 28 and IAS 31 in addition to those in this Standard. Entities shall also apply this Standard to all derivatives on interests in subsidiaries, associates or joint ventures. (b) employers' rights and obligations under employee benefit plans, to which IAS 19 *Employee Benefits* applies. (c) contracts for contingent consideration in a business combination (see IFRS 3 *Business Combinations*). This exemption applies only to the acquirer. (d) insurance contracts as defined in IFRS 4 *Insurance Contracts.* However, this Standard applies to derivatives that are embedded in insurance contracts if IAS 39 requires the entity to account for them separately. Moreover, an issuer shall apply this Standard to financial guarantee contracts if the issuer applies IAS 39 in recognising and measuring the contracts, but shall apply IFRS 4 if the issuer elects, in accordance with paragraph 4(d) of IFRS 4, to apply IFRS 4 in recognising and measuring them.[1] (e) financial instruments that are within the scope of IFRS 4 because they contain a discretionary participation feature. The issuer of these instruments is exempt from applying to these features paragraphs 15-32 and AG25-AG35 of this Standard regarding the distinction between financial liabilities and equity instruments. However, these instruments are subject to all other requirements of this Standard. Furthermore, this Standard applies to derivatives that are embedded in these instruments (see IAS 39).	Similar scope requirements.

[1] Revised IAS 32 scope exclusion based on the IAS 39 amendment: *Financial Guarantee Contracts.*

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
	(f) financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2 *Share-based Payment* applies, except for (i) contracts within the scope of paragraphs 8-10 of this Standard, to which this Standard applies, (ii) paragraphs 33 and 34 of this Standard, which shall be applied to treasury shares purchased, sold, issued, or cancelled in connection with employee share option plans, employee share purchase plans, and all other share-based payment arrangements.	
IFRS 7.4 This IFRS applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of IAS 39. Unrecognised financial instruments include some financial instruments that, although outside the scope of IAS 39, are within the scope of this IFRS (such as some loan commitments).	IAS 32.5 This Standard applies to recognised and unrecognised financial instruments. Recognised financial instruments include equity instruments issued by the entity and financial assets and financial liabilities that are within the scope of IAS 39. Unrecognised financial instruments include some financial instruments that, although outside the scope of IAS 39, are within the scope of this Standard (such as some loan commitments).	Similar scope requirements.
IFRS 7.5 This IFRS applies to contracts to buy or sell a non-financial item that are within the scope of IAS 39 (see paragraphs 5-7 of IAS 39).	IAS 32.8 This Standard shall be applied to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements,	Similar scope requirements.
Classes of financial instruments and level of disclosure IFRS 7.6 When this IFRS requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the balance sheet. **Application guidance** **Classes of financial instruments and level of disclosure** IFRS 7 B1 Paragraph 6 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 6 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in IAS 39 (which determine how financial instruments are measured and where changes in fair value are recognised).	IAS 32.55 The management of an entity groups financial instruments into classes that are appropriate to the nature of the information disclosed, taking into account matters such as the characteristics of the instruments and the measurement basis that has been applied. In general, classes distinguish items measured at cost or amortised cost from items measured at fair value. Sufficient information is provided to permit a reconciliation to relevant line items on the balance sheet. When an entity is a party to financial instruments not within the scope of this Standard, those instruments constitute a class or classes of financial assets or financial liabilities separate from those within the scope of this Standard. Disclosures about those financial instruments are dealt with by other IFRSs.	Similar disclosure required.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7 B2 In determining classes of financial instrument, an entity shall, at a minimum: (a) distinguish instruments measured at amortised cost from those measured at fair value. (b) treat as a separate class or classes those financial instruments outside the scope of this IFRS.		
IFRS 7 B3 An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this IFRS, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.	IAS 32.54 Determining the level of detail to be disclosed about particular financial instruments requires the exercise of judgement taking into account the relative significance of those instruments. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, when an entity is party to a large number of financial instruments with similar characteristics and no single contract is individually material, a summary by classes of instruments is appropriate. On the other hand, information about an individual instrument may be important when it is, for example, a material component of an entity's capital structure.	Similar disclosure required.
Format IFRS 7.8 (see infra) and IFRS 7.20 (see infra) permit disclosure of the required information either in the notes or on the face of the balance sheet or of the income statement.	IAS 32.53 This Standard does not prescribe either the format of the information required to be disclosed or its location within the financial statements. To the extent that the required information is presented on the face of the financial statements, it is unnecessary to repeat it in the notes. Disclosures may include a combination of narrative descriptions and quantified data, as appropriate to the nature of the instruments and their relative significance to the entity.	Both Standards permit entities to present the disclosure requirements either in the notes or on the face of the balance sheet or income statement.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Significance of financial instruments for financial position and performance IFRS 7.7 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.	IAS 32.51 The purpose of the disclosures required by this Standard is to provide information to enhance understanding of the significance of financial instruments to an entity's financial position, performance and cash flows, and assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments.	Similar disclosure required.
No similar disclosure requirement in IFRS 7.	**Terms and conditions** IAS 32.60 For each class of financial asset, financial liability and equity instrument, and entity shall disclose: (a) information about the extent and nature of the financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. IAS 32.62 The contractual terms and conditions of a financial instrument affect the amount, timing and certainty of future cash receipts and payments by the parties to the instrument. When financial instruments are significant, either individually or as a class, to the financial position of an entity or its future operating results, their terms and conditions are disclosed. If no single instrument is individually significant to the future cash flows of the entity, the essential characteristics of the instruments are described by reference to appropriate groupings of like instruments.	IFRS 7 does not specifically require disclosures on terms and conditions of financial instruments. However, when significant transactions have been concluded, IFRS 7 requires that they be disclosed according to the general principle contained in IFRS 7.7.
Balance sheet **Catagories of financial assets and financial liabilities** IFRS 7.8 The carrying amounts of each of the following categories, as defined in IAS 39, shall be disclosed either on the face of the balance sheet or in the notes: (a) financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with IAS 39; (b) held-to-maturity investments; (c) loans and receivables; (d) available-for-sale financial assets; (e) financial liabilities as fair value through profit or loss, showing separately (i) those designated as such upon in initial recognition and (ii) those classified as held for trading in accordance with IAS 39; and (f) financial liabilities measured at amortised cost.	IAS 32.94(e)[2] An entity shall disclose the carrying amounts of: (i) financial assets that are classified as held for trading; (ii) financial liabilities that are classified as held for trading; (iii) financial assets that, upon initial recognition, were designated by the entity as financial assets at fair value through profit or loss (ie those that are not financial assets classified as held for trading); and (iv) financial liabilities that, upon initial recognition, were designated by the entity as financial liabilities at fair value through profit or loss (ie those that are not financial liabilities classified as held for trading).	IFRS 7 requires additional level of detail for disclosures of categories of financial instruments.

[2] Revised IAS 32 disclosures based on the IAS 39 amendment: *The Fair Value Option.*

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
No similar disclosure requirement in IFRS 7.	IAS 30.18 A bank shall present a balance sheet that groups assets and liabilities by nature and lists them in an order that reflects their relative liquidity. IAS 30.20 The most useful approach to the classification of the assets and liabilities of a bank is to group them by their nature and list them in the approximate order of their liquidity; this may equate broadly to their maturities. Current and non-current items are not presented separately because most assets and liabilities of a bank can be realised or settled in the near future.	IFRS 7 does not impose a presentation of categories of financial instruments in order of liquidity. However, IAS 1.51 specifies that a presentation based on liquidity shall be implemented when it provides information that is more reliable and relevant than the current and non-current classification.
Similar disclosure requirement in IFRS 7.	IAS 30.19 In addition to the requirements of other Standards, the disclosures in the balance sheet or the notes shall include, but are not limited to, the following assets and liabilities. *Assets* Cash and balances with the central bank; Treasury bills and other bills eligible for rediscounting with the central bank; Government and other securities held for dealing purposes; Placements with, and loans and advances to, other banks; Other money market placements; Loans and advances to customers; and Investment securities. *Liabilities* Deposits from other banks; Other money market deposits; Amounts owed to other depositors; Certificates of deposits; Promissory notes and other liabilities evidenced by paper; and Other borrowed funds. IAS 30.21 The distinction between balances with other banks and those with other parts of the money market and from other depositors is relevant information because it gives an understanding of a bank's relations with, and dependence on, other banks and the money market. Hence, a bank discloses separately: (a) balances with the central bank; (b) placements with other banks; (c) other money market placements; (d) deposits from other banks; (e) other money market deposits; and (f) other deposits.	IFRS 7 does not impose the same specificity of categories of financial instruments as required by IAS 30.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
No similar disclosure requirement in IFRS 7.	IAS 30.22 A bank generally does not know the holders of its certificates of deposit because they are usually traded on an open market. Hence, a bank discloses separately deposits that have been obtained through the issue of its own certificates of deposit or other negotiable paper.	IFRS 7 does not require separate disclosure of certificates of deposit issued as required by IAS 30.
Financial assets or financial liabilities at fair value through profit or loss IFRS 7.9 If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose: (a) the maximum exposure to credit risk (see paragraph 36(a)) of the loan or receivable (or group of loans or receivables) at the reporting date. (b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk. (c) the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset determined either: (i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or (ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in credit risk of the asset. Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates. (d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the loan or receivable was designated.	IAS 32.94(g)[2] If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose: (i) the maximum exposure to credit risk (see paragraph 76(a)) at the reporting date of the loan or receivable (or group of loans or receivables), (ii) the amount by which any related credit derivative or similar instrument mitigates that maximum exposure to credit risk, (iii) the amount of change during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in credit risk determined either as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or using an alternative method that more faithfully represents the amount of change in its fair value that is attributable to changes in credit risk, (iv) the amount of the change in the fair value of any related credit derivative or similar instrument that has occurred during the period and cumulatively since the loan or receivable was designated.	Similar disclosure required. The IAS 39 amendment for the fair value option introduces disclosure for loans and receivables designated at fair value through profit or loss to IAS 32. IFRS 7 includes these consequential amendments.

[2] Revised IAS 32 disclosures based on the IAS 39 amendment: *The Fair Value Option.*

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7.10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of IAS 39, it shall disclose: (a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability determined either: (i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk (see Appendix B, paragraph B4); or (ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the liability. Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund. (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.	IAS 32.94(h)[2] If the entity has designated a financial liability as at fair value through profit or loss, it shall disclose: (i) the amount of change during the period and cumulatively in the fair value of the financial liability that is attributable to changes in credit risk determined either as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk (see paragraph AG40); or using an alternative method that more faithfully represents the amount of change in its fair value that is attributable to changes in credit risk. (ii) the difference between the carrying amount of the financial liability and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.	Similar disclosure required. The IAS 39 amendment for the fair value option introduces disclosures for financial liabilities at fair value through profit or loss to IAS 32. IFRS 7 includes these consequential amendments.

[2] Revised IAS 32 disclosures based on the IAS 39 amendment: *The Fair Value Option.*

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Application guidance **Financial liabilities at fair value through profit or loss** IFRS 7 B4 If the entity designates a financial liability as at fair value through profit or loss, paragraph 10(a) requires it to disclose the amount of change in the fair value of the financial liability that is attributable to changes in the liability's credit risk. Paragraph 10(a)(i) permits an entity to determine this amount as the amount of change in the liability's fair value that is not attributable to changes in market conditions that give rise to market risk. If the only relevant changes in market conditions for a liability are changes in an observed (benchmark) interest rate, this amount can be estimated as follows: (a) First, the entity computes the liability's internal rate of return at the start of the period using the observed market price of the liability and the liability's contractual cash flows at the start of the period. It deducts from this rate of return the observed (benchmark) interest rate at the start of the period, to arrive at an instrument-specific component of the internal rate of return. (b) Next, the entity calculates the present value of the cash flows associated with the liability using the liability's contractual cash flows at the end of the period and a discount rate equal to the sum of (i) the observed (benchmark) interest rate at the end of the period and (ii) the instrument-specific component of the internal rate of return as determined in (a). (c) The difference between the observed market price of the liability at the end of the period and the amount determined in (b) is the change in fair value that is not attributable to changes in the observed (benchmark) interest rate. This is the amount to be disclosed. This example assumes that changes in fair value arising from factors other than changes in the instrument's credit risk or changes in interest rates are not significant. If the instrument in the example contains an embedded derivative, the change in fair value of the embedded derivative is excluded in determining the amount to be disclosed in accordance with paragraph 10(a).	IAS 32.AG40[2] If an entity designates a financial liability or a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it is required to disclose the amount of change in the fair value of the financial instrument that is attributable to changes in credit risk. Unless an alternative method more faithfully represents this amount, the entity is required to determine this amount as the amount of change in the fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, commodity price, foreign exchange rate or index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of an internal or external investment fund. If the only relevant changes in market conditions for a financial liability are changes in an observed (benchmark) interest rate, this amount can be estimated as follows: (a) First, the entity computes the liability's internal rate of return at the start of the period using the observed market price of the liability and the liability's contractual cash flows at the start of the period. It deducts from this rate of return the observed (benchmark) interest rate at the start of the period, to arrive at an instrument-specific component of the internal rate of return. (b) Next, the entity calculates the present value of the cash flows associated with the liability using the liability's contractual cash flows at the start of the period and a discount rate equal to the sum of the observed (benchmark) interest rate at the end of the period and the instrument-specific component of the internal rate of return at the start of the period as determined in (a). (c) The amount determined in (b) is then adjusted for any cash paid or received on the liability during the period and increased to reflect the increase in fair value that arises because the contractual cash flows are one period closer to their due date. (d) The difference between the observed market price of the liability at the end of the period and the amount determined in (c) is the change in fair value that is not attributable to changes in the observed (benchmark) interest rate. This is the amount to be disclosed The above example assumes that changes in fair value that do not arise from changes in the instrument's credit risk or from changes in interest rates are not significant. If, in the above example, the instrument contained an embedded derivative, the change in fair value of the embedded derivative would be excluded in determining the amount in paragraph 94(h)(i).	

[2] Revised IAS 32 disclosures based on the IAS 39 amendment: *The Fair Value Option*.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7.11 The entity shall disclose: (a) the methods used to comply with the requirements in paragraphs 9(c) and 10(a). (b) if the entity believes that the disclosure it has given to comply with the requirements in paragraph 9(c) or 10(a) does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.	IAS 32.94(i) The entity shall disclose: (i) the methods used to comply with the requirement in (g)(iii) and (h)(i). (ii) if the entity considers that the disclosure it has given to comply with the requirements in (g)(iii) or (h)(i) does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in credit risk, the reasons for reaching this conclusion and the factors the entity believes to be relevant.	Similar disclosure required.
Reclassification IFRS 7.12 If the entity has reclassified a financial asset as one measured: (a) at cost or amortised cost, rather than at fair value, or (b) at fair value, rather than at cost or amortised cost, It shall disclose the amount reclassified into and out of each category and the reason for that reclassification (see paragraphs 51-54 of IAS 39).	IAS 32.94(j)[3] If the entity has reclassified a financial asset as one measured at cost or amortised cost rather than at fair value (see IAS 39, paragraph 54), it shall disclose the reason for that reclassification.	IFRS 7 requires that an entity discloses the amount of reclassification in both directions between fair value and cost or amortised cost.
Derecognition IFRS 7.13 An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition (see paragraphs 15–37 of IAS 39). The entity shall disclose for each class of such financial assets: (a) the nature of the assets; (b) the nature of the risks and rewards of ownership to which the entity remains exposed; (c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and (d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.	IAS 32.94(a) An entity may have either transferred a financial asset (see paragraph 18 of IAS 39) or entered into the type of arrangement described in paragraph 19 of IAS 39 in such a way that the arrangement does not qualify as a transfer of a financial asset. If the entity either continues to recognise all of the asset or continues to recognise the asset to the extent of the entity's continuing involvement (see IAS 39, paragraphs 29 and 30) it shall disclose for each class of financial asset: (i) the nature of the assets; (ii) the nature of the risks and rewards of ownership to which the entity remains exposed; (iii) when the entity continues to recognise all of the asset, the carrying amounts of the asset and of the associated liability; and (iv) when the entity continues to recognise the asset to the extent of its continuing involvement, the total amount of the asset, the amount of the asset that the entity continues to recognise and the carrying amount of the associated liability.	Similar disclosure required.

[3] IAS 32 paragraph reference renumbered based on the IAS 39 amendment: *The Fair Value Option*.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Collateral IFRS 7.14 An entity shall disclose: (a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39; and (b) the terms and conditions relating to its pledge.	IAS 32.94(b) An entity shall disclose the carrying amount of financial assets pledged as collateral for liabilities, the carrying amount of financial assets pledged as collateral for contingent liabilities, and (consistently with paragraphs 60(a) and 63(g)) any material terms and conditions relating to assets pledged as collateral.	Similar disclosure required.
IFRS 7.15 When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose: (a) the fair value of the collateral held; (b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and (c) the terms and conditions associated with its use of the collateral.	IAS 32.94(c) When an entity has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral, it shall disclose: (i) the fair value of the collateral accepted (financial and non-financial assets); (ii) the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it; and (iii) any material terms and conditions associated with its use of this collateral (consistently with paragraphs 60(a) and 63(g)).	Similar disclosure required.
Allowance account for credit losses IFRS 7.16 When financial assets are impaired by credit losses and the entity records the impairment in a separate account (eg an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.	IAS 30.43 (b)(c) A bank shall disclose the following: (b) details of the movements in any allowance for impairment losses on loans and advances during the period. It shall disclose separately the amount recognised as an expense in the period for impairment losses on uncollectible loans and advances, the amount charged in the period for loans and advances written off and the amount credited in the period for loans and advances previously written off that have been recovered. (c) the aggregate amount of any allowance account for impairment losses on loans and advances at the balance sheet date. IAS 30.50 Any amounts set aside for general banking risks, including future losses and other unforeseeable risks or contingencies shall be separately disclosed as appropriations of retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and shall not be included in the determination of profit or loss for the period.	IFRS 7 requires disclosure about information for any allowance for credit losses for all financial assets, and not only for loans as required by IAS 30. The wording of IFRS 7 has been updated to include collective impairment. Additionally, IFRS 7 does not prescribe the specific components of the reconciliation of the allowance for credit losses to be disclosed as required by IAS 30, nor require separate disclosure of appropriations of retained earnings set aside for general banking risks.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Compound financial instruments with multiple embedded derivatives IFRS 7.17 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of IAS 32) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.	IAS 32.94(d) If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28) and the instrument has multiple embedded derivative features whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features and the effective interest rate on the liability component (excluding any embedded derivatives that are accounted for separately).	Similar disclosure required, although IFRS 7 does not require the disclosure of the effective interest rate on the liability component.
Defaults and breaches IFRS 7.18 For loans payable recognised at the reporting date, an entity shall disclose: (a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable; (b) the carrying amount of the loans payable in default at the reporting date; and (c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.	IAS 32.94(m)[3] With respect to any defaults of principal, interest, sinking fund or redemption provisions during the period on loans payable recognised as at the balance sheet date, and any other breaches during the period of loan agreements when those breaches can permit the lender to demand repayment (except for breaches that are remedied, or in response to which the terms of the loan are renegotiated, on or before the balance sheet date), an entity shall disclose: (i) details of those breaches; (ii) the amount recognised as at the balance sheet date in respect of the loans payable on which the breaches occurred; and (iii) with respect to amounts disclosed under (ii), whether the default has been remedied or the terms of the loans payable renegotiated before the date the financial statements were authorised for issue.	Similar disclosure required,
IFRS 7.19 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date).	IAS 32.95 For the purpose of disclosing information on breaches of loan agreements in accordance with paragraph 94(m), loans payable include issued debt instruments and financial liabilities other than short-term trade payables on normal credit terms. When such a breach occurred during the period, and the breach has not been remedied or the terms of the loan payable have not been renegotiated by the balance sheet date, the effect of the breach on the classification of the liability as current or non-current is determined under IAS 1.	Similar disclosure required,

[3] IAS 32 paragraph reference renumbered based on the IAS 39 amendment: *The Fair Value Option*.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Income statement and equity **Items of income, expense, gains or losses** IFRS 7.20 An entity shall disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes: (a) net gains or net losses on: (i) financial assets or financial liabilities at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are classified as held for trading in accordance with IAS 39; (ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised directly in equity during the period and the amount removed from equity and recognised in profit or loss for the period; (iii) held-to-maturity investments; (iv) loans and receivables; and (v) financial liabilities measured at amortised cost; (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss; (c) fee income and expense (other than amounts included in determining the effective interest rate) arising from: (i) financial assets or financial liabilities that are not at fair value through profit or loss; and (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions; (d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of IAS 39; and (e) the amount of any impairment loss for each class of financial asset.	IAS 32.94(f)[2] An entity shall disclose separately net gains or net losses on financial assets or financial liabilities designated by the entity as at fair value through profit or loss. IAS 32.94(k)[3] An entity shall disclose material items of income, expense and gains and losses resulting from financial assets and financial liabilities, whether included in profit or loss or as a separate component of equity. For this purpose, the disclosure shall include at least the following items: (i) total interest income and total interest expense (calculated using the effective interest method) for financial assets and financial liabilities that are not at fair value through profit or loss; (ii) for available-for-sale financial assets, the amount of any gain or loss recognised directly in equity during the period and the amount that was removed from equity and recognised in profit or loss for the period; and (iii) the amount of interest income accrued on impaired financial assets, in accordance with IAS 39, paragraph AG93. IAS 30.9 A bank shall present an income statement which groups income and expenses by nature and discloses the amounts of the principal types of income and expenses. IAS 32.94(l)[3] An entity shall disclose the nature and amount of any impairment loss recognised in profit or loss for a financial asset, separately for each significant class of financial asset (paragraph 55 provides guidance for determining classes of financial assets).	The fair value option amendment introduced a consequential amendment to IAS 32 requiring net gains or net losses on financial assets or financial liabilities at fair value through profit or loss to be disclosed. This requirement complements the disclosure required in IFRS 7 for carrying amounts in the balance sheet of financial assets and financial liabilities. Additionally, IFRS 7 introduces separate disclosure of net gains or net losses for each category of financial instrument, fee income and expense, and impairment losses for each category of financial instrument.

[2] Revised IAS 32 disclosures based on the IAS 39 amendment: *The Fair Value Option*.

[3] IAS 32 paragraph reference renumbered based on the IAS 39 amendment: *The Fair Value Option*.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
No similar disclosure requirement in IFRS 7.	IAS 30.10 In addition to the requirements of other Standards, the disclosures in the income statement or the notes shall include, but are not limited to, the following items of income and expenses: Interest and similar income; Interest expense and similar charges; Dividend income; Fee and commission income; Fee and commission expense; Gains less losses arising from dealing securities; Gains less losses arising from investment securities; Gains less losses arising from dealing in foreign currencies; Other operating income; Impairment losses on loans and advances; General administrative expenses; and Other operating expenses. IAS 30.15 Gains and losses arising from each of the following are normally reported on a net basis: (a) disposals and changes in the carrying amount of dealing securities; (b) disposals of investment securities; and (c) dealings in foreign currencies. IAS 30.16 Interest income and interest expense are disclosed separately in order to give a better understanding of the composition of, and reasons for changes in, net interest.	IFRS 7 requirements are less specific than these required by IAS 30.
Other disclosures **Accounting policies** IFRS 7.21 In accordance with paragraph 108 of IAS 1 *Presentation of Financial Statements*, an entity discloses, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.	IAS 32.60 For each class of financial asset, financial liability and equity instrument, an entity shall disclose: (b) the accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied.	IFRS 7 is more specific as to the disclosure of accounting policies and introduces disclosure of the criteria for the use of an allowance account and when a financial asset is reported as available-for-sale. IRFS 7 does not specifically require the disclosure of the accounting policies and methods applied for recognition and derecognition. Although IFRS 7 B5 does require disclosure of the recognition policy for regular way purchases and sales.

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<tr><th>IFRS 7</th><th>IAS 32 (amended 2005) and IAS 30</th><th>Comments</th></tr>
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Application guidance
Other disclosure – accounting policies
IFRS 7 B5
Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:
(a) for financial assets or financial liabilities designated as at fair value through profit or loss:
(i) the nature of the financial assets or financial liabilities the entity has designated as at fair value through profit or loss;
(ii) the criteria for so designating such financial assets or financial liabilities on initial recognition; and
(iii) how the entity has satisfied the conditions in paragraph 9, 11A or 12 of IAS 39 for such designation. For instruments designated in accordance with paragraph (b)(i) of the definition of a financial asset or financial liability at fair value through profit or loss in IAS 39, that disclosure includes a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise. For instruments designated in accordance with paragraph (b)(ii) of the definition of a financial asset or financial liability at fair value through profit or loss in IAS 39, that disclosure includes a narrative description of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy.
(b) the criteria for designating financial assets as available for sale.
(c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 38 of IAS 39).
(d) when an allowance account is used to reduce the carrying amount of financial assets impaired by credit losses:
(i) the criteria for determining when the carrying amount of impaired financial assets is reduced directly (or, in the case of a reversal of a write-down, increased directly) and when the allowance account is used; and
(ii) the criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assts (see paragraph 16).
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IAS 32.66 [2]
In accordance with IAS 1, an entity provides disclosure of all significant accounting policies, including the general principles adopted and the method of applying those principles to transactions, other events and conditions arising in the entity's business. In the case of financial instruments, such disclosure includes:
(a) the criteria applied in determining when to recognise a financial asset or financial liability and when to derecognise it;
(b) the basis of measurement applied to financial assets and financial liabilities on initial recognition and subsequently;
(c) the basis on which income and expenses arising from financial assets and financial liabilities are recognised and measured; and
(d) for financial assets or financial liabilities designated as at fair value through profit or loss:
(i) the criteria for so designating such financial assets or financial liabilities on initial recognition.
(ii) how the entity has satisfied the conditions in paragraph 9, 11A or 12 of IAS 39 for such designation. For instruments designated in accordance with paragraph 9(b)(i) of IAS 39, that disclosure includes a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise. For instruments designated in accordance with paragraph 9(b)(ii) of IAS 39, that disclosure includes a narrative description of how designation as at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy.
(iii) the nature of the financial assets or financial liabilities the entity has designated as at fair value through profit or loss.
IAS 32.61
As part of the disclosure of an entity's accounting policies, an entity shall disclose, for each category of financial assets, whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see IAS 39, paragraph 38).
IAS 30.43(a)
A bank shall disclose the accounting policy that describes the basis on which uncollectible loans and advances are recognised as an expense and written off.
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Items (b) and (c) in IAS 32.66 are implied by the more general disclosure requirement of IFRS 7.21.
Item (a) in IAS 32.66 is not specially required by IFRS 7.
IFRS 7 B5 (b) and most of (d) are new disclosure requirements.
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[2] Revised IAS 32 disclosures based on the IAS 39 amendment: *The Fair Value Option*.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
(e) how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income. (f) the criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (see paragraph 20(e)). (g) when the terms of financial assets that would otherwise be past due or impaired have been renegotiated, the accounting policy for financial assets that are the subject of renegotiated terms (see paragraph 36(d)). Paragraph 113 of IAS 1 also requires entities to disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.	IAS 30.8 Banks use differing methods for the recognition and measurement of items in their financial statements. While harmonisation of these methods is desirable, it is beyond the scope of this Standard. In order to comply with IAS 1 *Presentation of Financial Statements* and thereby enable users to understand the basis on which the financial statements of a bank are prepared, accounting policies dealing with the following items may need to be disclosed: (a) the recognition of the principal types of income (see paragraphs 10 and 11); (b) the valuation of investment and dealing securities (see paragraphs 24 and 25); (c) the distinction between those transactions and other events that result in the recognition of assets and liabilities on the balance sheet and those transactions and other events that only give rise to contingencies and commitments (see paragraphs 26-29); (d) the basis for the determination of impairment losses on loans and advances and for writing off uncollectible loans and advances (see paragraphs 43-49); and (e) the basis for the determination of charges for general banking risks and the accounting treatment of such charges (see paragraphs 50-52). Some of these topics are the subject of existing Standards while others may be dealt with at a later date.	IFRS 7 B5 (e) is a new disclosure requirement, whereas (f) and (g) are more detailed than previous requirements.
Hedge accounting IFRS 7.22 An entity shall disclose the following separately for each type of hedge described in IAS 39 (ie fair value hedges, cash flow hedges, and hedges of net investments in foreign operations): (a) a description of each type of hedge; (b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and (c) the nature of the risks being hedged.	IAS 32.58 An entity shall disclose the following separately for designated fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation (as defined in IAS 39): (a) a description of the hedge; (b) a description of the financial instruments designated as hedging instruments and their fair values at the balance sheet date; and (c) the nature of the risks being hedged.	Similar disclosure required.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7.23 For cash flow hedges, an entity shall disclose: (a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss; (b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur; (c) the amount that was recognised in equity during the period; (d) the amount that was removed from equity and included in profit or loss for the period, showing the amount included in each line item in the income statement; and (e) the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.	IAS 32.58 (continued) (d) for cash flow hedges, the periods in which the cash flows are expected to occur, when they are expected to enter into the determination of profit or loss, and a description of any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur. IAS 32.59 When a gain or loss on a hedging instrument in a cash flow hedge has been recognised directly in equity, through the statement of changes in equity, an entity shall disclose: (a) the amount that was so recognised in equity during the period; (b) the amount that was removed from equity and included in profit or loss for the period; and (c) the amount that was removed from equity during the period and included in the initial measurement of the acquisition cost or other carrying amount of a non-financial asset or non-financial liability in a hedged highly probable forecast transaction.	IFRS 7 expands the disclosure of the gain or loss on a hedging instrument in a cash flow hedge relationship, to require the disclosure of the amount removed from equity and included in profit or loss by individual income statement caption.
IFRS 7.24 An entity shall disclose separately: (a) in fair value hedges, gains or losses: (i) on the hedging instrument; and (ii) on the hedged item attributable to the hedged risk. (b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges; and (c) the ineffectiveness recognised in profit of loss that arises from hedges of net investments in foreign operations.	No similar disclosure requirement in IAS 32 or IAS 30.	IFRS 7 introduces disclosures for a fair value hedge relationship of the amount of the gain or loss on the hedging instrument and, the hedged item. Additionally, the amount of ineffectiveness recognised in profit or loss for both cash flow hedges and net investment hedges.
Fair value IFRS 7.25 Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.	IAS 32.86 Except as set out in paragraph 90 and 91A, for each class of financial assets and financial liabilities, an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the balance sheet. (IAS 39 provides guidance for determining fair value).	Similar disclosure required.
IFRS 7.26 In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the balance sheet.	IAS 32.89 In disclosing fair values, an entity groups financial assets and financial liabilities into classes and offsets them only to the extent that their related carrying amounts are offset in the balance sheet.	Similar disclosure required.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7.27 An entity shall disclose: (a) the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. (b) whether fair values are determined, in whole or in part, directly by reference to published price quotations in an active market or are estimated using a valuation technique (see paragraphs AG71-AG79 of IAS 39). (c) whether the fair values recognised or disclosed in the financial statements are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (ie without modification or repackaging) and not based on available observable market data. For fair values that are recognised in the financial statements, if changing one or more of those assumptions to reasonably possible alternative assumptions would change fair value significantly, the entity shall state this fact and disclose the effect of those changes. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in equity, total equity. (d) if (c) applies, the total amount of the change in fair value estimated using such a valuation technique that was recognised in profit or loss during the period.	IAS 32.92 An entity shall disclose: (a) the methods and significant assumptions applied in determining fair values of financial assets and financial liabilities separately for significant classes of financial assets and financial liabilities. (Paragraph 55 provides guidance for determining classes of financial assets.) (b) whether fair values of financial assets and financial liabilities are determined directly, in full or in part, by reference to published price quotations in an active market or are estimated using a valuation technique (see IAS 39, paragraphs AG71-AG79). (c) whether its financial statements include financial instruments measured at fair values that are determined in full or in part using a valuation technique based on assumptions that are not supported by observable market prices or rates. If changing any such assumption to a reasonably possible alternative would result in a significantly different fair value, the entity shall state this fact and disclose the effect on the fair value of a range of reasonably possible alternative assumptions. For this purpose, significance shall be judged with respect to profit or loss and total assets or total liabilities. (d) the total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period. IAS 32.93 Disclosure of fair value information includes disclosure of the method used in determining fair value and the significant assumptions made in its application. For example, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses and interest or discount rates if they are significant.	Similar disclosure required.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7.28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74-AG79 of IAS 39). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless conditions described in paragraph AG76 of IAS 39 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument: (a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price (see paragraph AG76A of IAS 39); and (b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.	No similar disclosure requirement in IAS 32 or IAS 30.	IFRS 7 introduces disclosure of 'day 1' profit not recognised in profit or loss, including a reconciliation of changes in the amount not recognised in profit or loss and the accounting policy for determining when recognised in profit or loss.
IFRS 7.29 Disclosures of fair value are not required: (a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables; (b) for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with IAS 39 because its fair value cannot be measured reliably; or (c) for a contract containing a discretionary participation feature (as described in IFRS 4) if the fair value of that feature cannot be measured reliably.	IAS 32.88 For financial instruments such as short-term trade receivables and payables, no disclosure of fair value is required when the carrying amount is a reasonable approximation of fair value. IAS 32.91 If investments in unquoted equity instruments or derivatives linked to such equity instruments are measured at cost under IAS 39 because their fair values cannot be measured reliably, the information about fair value set out in paragraphs 86 and 92 is not required to be disclosed.	Similar disclosure required.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7.30 In the cases described in paragraph 29(b) and (c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including: (a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably; (b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably; (c) information about the market for the instruments; (d) information about whether and how the entity intends to dispose of the financial instruments; and (e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.	IAS 32.90 If investments in unquoted equity instruments or derivatives linked to such equity instruments are measured at cost under IAS 39 because their fair value cannot be measured reliably, that fact shall be disclosed together with a description of the financial instruments, their carrying amount, an explanation of why fair value cannot be measured reliably and, if possible, the range of estimates within which fair value is highly likely to lie. Furthermore, if financial assets whose fair value previously could not be reliably measured are sold, that fact, the carrying amount of such financial assets at the time of sale and the amount of gain or loss recognised shall be disclosed. IAS 32.91 (continued) Instead, information is provided to assist users of the financial statements in making their own judgements about the extent of possible differences between the carrying amount of such financial assets and financial liabilities and their fair value. In addition to an explanation of the principal characteristics of the financial instruments that are pertinent to their value and the reason for not disclosing fair values, information is provided about the market for the instruments. In some cases, the terms and conditions of the instruments disclosed in accordance with paragraph 60 may provide sufficient information. When it has a reasonable basis for doing so, management may indicate its opinion on the relationship between fair value and the carrying amount of financial assets and financial liabilities for which it is unable to determine fair value reliably. IAS 32.91A Some financial assets and financial liabilities contain a discretionary participation feature as described in IFRS 4 *Insurance Contracts*. If an entity cannot measure reliably the fair value of that feature, the entity shall disclose that fact together with a description of the contract, its carrying amount, an explanation of why fair value cannot be measured reliably and, if possible, the range of estimates within which fair value is highly likely to lie.	IFRS 7 expands the disclosure of fair value information for financial instruments whose fair value cannot be reliably measured to include disclosure of how the entity intends to dispose of such financial instruments.
No similar disclosure requirement in IFRS 7.	**Trust activities** IAS 30.55 Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Provided the trustee or similar relationship is legally supported, these assets are not assets of the bank and, therefore, are not included in its balance sheet. If the bank is engaged in significant trust activities, disclosure of that fact and an indication of the extent of those activities is made in its financial statements because of the potential liability if it fails in its fiduciary duties. For this purpose, trust activities do not encompass safe custody functions.	IFRS 7 requires specific disclosure of fee income from trust activities and trust activities. Additionally, IAS 1 requires that principal activities are disclosed.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
No similar disclosure requirement in IFRS 7.	**Related parties transactions** IAS 30.58 When a bank has entered into transactions with related parties, it is appropriate to disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effects of the relationship on the financial statements of the bank. The disclosures are made in accordance with IAS 24 and include disclosures relating to a bank's policy for lending to related parties and, in respect of related party transactions, the amount included in: (a) each of loans and advances, deposits and acceptances and promissory notes; disclosures may include the aggregate amounts outstanding at the beginning and end of the period, as well as advances, deposits, repayments and other changes during the period; (b) each of the principal types of income, interest expense and commissions paid; (c) the amount of the expense recognised in the period for impairment losses on loans and advances and the amount of any allowance at the balance sheet date; and (d) irrevocable commitments and contingencies and commitments arising from off balance sheet items.	IAS 30 disclosures are included in IAS 24 *Related Party Disclosures*.
No similar disclosure requirement in IFRS 7.	**Contingencies and commitments including off balance sheet items** IAS 30.26 A bank shall disclose the following contingent liabilities and commitments: (a) the nature and amount of commitments to extend credit that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense; and (b) the nature and amount of contingent liabilities and commitments arising from off balance sheet items including those relating to: (i) direct credit substitutes including general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities; (ii) certain transaction-related contingent liabilities including performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions; (iii) short-term self-liquidating trade-related contingent liabilities arising from the movement of goods, such as documentary credits where the underlying shipment is used as security; and (iv) [Deleted] (v) [Deleted] (vi) other commitments, note issuance facilities and revolving underwriting facilities.	Contingent liabilities are subject to the disclosure requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Nature and extent of risks arising from financial instruments IFRS 7.31 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date. IFRS 7.32 The disclosures required by paragraphs 33-42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.		IFRS 7 expands qualitative risk disclosures and introduces quantitative risk disclosures.
Application guidance **Nature and extent of risks arising from financial instruments** IFRS 7 B6 The disclosures required by paragraphs 31-42 shall be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.	No similar disclosure requirement in IAS 32 or IAS 30.	IFRS 7 does not mandate the information on nature and extent of risk arising from financial instruments to be disclosed in the financial statements, provided its location in another statement is clearly indicated and available to the users of the financial statements. This makes sense since the IFRS 7 requirements are more specific than those contained in IAS 30 or IAS 32 (see below).
Qualitative disclosures IFRS 7.33 For each type of risk arising from financial instruments, an entity shall disclose: (a) the exposures to risk and how they arise; (b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and (c) any changes in (a) or (b) from the previous period.	IAS 32.56 An entity shall describe its financial risk management objectives and policies, including its policy for hedging each main type of forecast transaction for which hedge accounting is used. IAS 32.57 In addition to providing specific information about particular balances and transactions related to financial instruments, an entity provides a discussion of the extent to which financial instruments are used, the associated risks and the business purposes served. A discussion of management's policies for controlling the risks associated with financial instruments includes policies on matters such as hedging of risk exposures, avoidance of undue concentrations of risk and requirements for collateral to mitigate credit risk. Such discussion provides a valuable additional perspective that is independent of the specific instruments held or outstanding at a particular time.	IFRS 7 expands disclosure to include information on the process that an entity uses to manage and measure risk.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Quantitative disclosures IFRS 7.34 For each type of risk arising from financial instruments, an entity shall disclose: (a) summary quantitative data about its exposure to that risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in IAS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer. (b) the disclosures required by paragraphs 36-42, to the extent not provided in (a), unless the risk is not material (see paragraphs 29-31 of IAS 1 for a discussion of materiality). (c) concentrations of risk if not apparent from (a) and (b). **Application guidance** **Quantitative disclosures** IFRS 7 B7 Paragraph 34(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and reliable information. IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors* discusses relevance and reliability.	No similar disclosure requirement in IAS 32 or IAS 30.	IFRS 7 introduces quantitative risk disclosures, based on information communicated to key management personnel.
IFRS 7 B8 Paragraph 34(c) requires disclosures about concentrations of risk. Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include: (a) a description of how management determines concentrations; (b) a description of the shared characteristic that identifies each concentration (eg counterparty, geographical area, currency or market); and (c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.	IAS 30.40 A bank shall disclose any significant concentrations of its assets, liabilities and off balance sheet items. Such disclosures shall be made in terms of geographical areas, customer or industry groups or other concentrations of risk. A bank shall also disclose the amount of significant net foreign currency exposures.	IFRS 7 introduces disclosure of a description of how management determines concentrations.
IFRS 7.35 If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.	No similar disclosure requirement in IAS 32 or IAS 30.	IFRS 7 reinforces the responsibility of an entity to disclose relevant information for the reader of the financial statements.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Credit risk IFRS 7.36 An entity shall disclose by class of financial instrument: (a) the amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with IAS 32); (b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements; (c) information about the credit quality of financial assets that are neither past due nor impaired; and (d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated. **Application guidance** **Maximum credit risk exposure** IFRS 7 B9 Paragraph 36(a) requires disclosure of the amount that best represents the entity's maximum exposure to credit risk. For a financial asset, this is typically the gross carrying amount, net of: (a) any amounts offset in accordance with IAS 32; and (b) any impairment losses recognised in accordance with IAS 39. IFRS 7 B10 Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to: (a) granting loans and receivables to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets. (b) entering into derivative contracts, eg foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to credit risk at the reporting date will equal the carrying amount. (c) granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability. (d) making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability.	IAS 32.76 For each class of financial assets and other credit exposures, an entity shall disclose information about its exposure to credit risk, including: (a) the amount that best represents its maximum credit risk exposure at the balance sheet date, without taking account of the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments; and (b) significant concentrations of credit risk. IAS 32.80 A financial asset subject to a legally enforceable right of set-off against a financial liability is not presented on the balance sheet net of the liability unless settlement is intended to take place on a net basis or simultaneously. Nevertheless, an entity discloses the existence of the legal right of set-off when providing information in accordance with paragraph 76. For example, when an entity is due to receive the proceeds from realisation of a financial asset before settlement of a financial liability of equal or greater amount against which the entity has a legal right of setoff, the entity has the ability to exercise that right of set-off to avoid incurring a loss in the event of a default by the counterparty. However, if the entity responds, or is likely to respond, to the default by extending the term of the financial asset, an exposure to credit risk would exist if the revised terms are such that collection of the proceeds is expected to be deferred beyond the date on which the liability is required to be settled. To inform users of financial statements of the extent to which exposure to credit risk at a particular point in time has been reduced, the entity discloses the existence and effect of the right of set-off when the financial asset is expected to be collected in accordance with its terms. When the financial liability against which a right of set-off exists is due to be settled before the financial asset, the entity is exposed to credit risk on the full carrying amount of the asset if the counterparty defaults after the liability has been settled.	IFRS 7 introduces credit risk disclosure of the benefit of collateral and other credit enhancements, credit quality of assets that are neither past due nor impaired and the carrying amounts of financial assets whose terms have been renegotiated. IFRS 7 requires disclosure of the gross maximum credit exposure before taking into account netting agreements.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Financial assets that are either past due or impaired IFRS 7.37 An entity shall disclose by class of financial asset: (a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired; (b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the entity considered in determining that they are impaired; and (c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value. **Appendix A** **Defined terms** Past due – A financial asset is past due when a counterparty has failed to make a payment when contractually due.	No similar disclosure requirement in IAS 32 or IAS 30.	IFRS 7 introduces disclosure of information relating to the quality of financial assets that are either past due or impaired and disclosure of the fair value of collateral available to the entity as security and other credit enhancements.
Collateral and other credit enhancements obtained IFRS 7.38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose: (a) the nature and carrying amount of the assets obtained; and (b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.	No similar disclosure requirement for IAS 32 or IAS 30.	IFRS 7 introduces disclosure of information relating to collateral over which control has been taken.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Liquidity risk IFRS 7.39 An entity shall disclose: (a) a maturity analysis for financial liabilities that shows the remaining contractual maturities; and (b) a description of how it manages the liquidity risk inherent in (a). **Application guidance** **Contractual maturity analysis** IFRS 7 B11 In preparing the contractual maturity analysis for financial liabilities required by paragraph 39(a), an entity uses its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate: (a) not later than one month; (b) later than one month and not later than three months; (c) later than three months and not later than one year; and (d) later than one year and not later than five years. IFRS 7 B12 When a counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which the entity can be required to pay. For example, financial liabilities that an entity can be required to repay on demand (eg demand deposits) are included in the earliest time band. IFRS 7 B13 When an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.	IAS 30.30 A bank shall disclose an analysis of assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. IAS 30.33 The maturity groupings applied to individual assets and liabilities differ between banks and in their appropriateness to particular assets and liabilities. Examples of periods used include the following: (a) up to 1 month; (b) from 1 month to 3 months; (c) from 3 months to 1 year; (d) from 1 year to 5 years; and (e) from 5 years and over. Frequently the periods are combined, for example, in the case of loans and advances, by grouping those under one year and those over one year. When repayment is spread over a period of time, each installment is allocated to the period in which it is contractually agreed or expected to be paid or received. IAS 30.35 Maturities could be expressed in terms of: (a) the remaining period to the repayment date; (b) the original period to the repayment date; or (c) the remaining period to the next date at which interest rates may be changed. The analysis of assets and liabilities by their remaining periods to the repayment dates provides the best basis to evaluate the liquidity of a bank. A bank may also disclose repayment maturities based on the original period to the repayment date in order to provide information about its funding and business strategy. In addition, a bank may disclose maturity groupings based on the remaining period to the next date at which interest rates may be changed in order to demonstrate its exposure to interest rate risks. Management may also provide, in its commentary on the financial statements, information about interest rate exposure and about the way it manages and controls such exposures.	IFRS 7 eliminates the disclosure of a liquidity analysis of maturity for financial assets as required by IAS 30. IAS 32 requires only a maturity/contractual repricing analysis for interest rate risk. IFRS 7 requires disclosure to include a description of how management manages liquidity risk.

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7 B14 The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, for example: (a) gross finance lease obligations (before deducting finance charges); (b) prices specified in forward agreements to purchase financial assets for cash; (c) net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged; (d) contractual amounts to be exchanged in a derivative financial instrument (eg a currency swap) for which gross cash flows are exchanged; and (e) gross loan commitments. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows. IFRS 7 B15 If appropriate, an entity shall disclose the analysis of derivative financial instruments separately from that of non-derivative financial instruments in the contractual maturity analysis for financial liabilities required by paragraph 39(a). For example, it would be appropriate to distinguish cash flows from derivative financial instruments and non-derivative financial instruments if the cash flows arising from the derivative financial instruments are settled gross. This is because the gross cash outflow may be accompanied by a related inflow. IFRS 7 B16 When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.		

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<tr><th>IFRS 7</th><th>IAS 32 (amended 2005) and IAS 30</th><th>Comments</th></tr>
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Market risk
Sensitivity analysis
IFRS 7.40
Unless an entity complies with paragraph 41, it shall disclose:
(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;
(b) the methods and assumptions used in preparing the sensitivity analysis; and
(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.
IFRS 7.41
If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (eg interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:
(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and
(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.
Application guidance
Market risk – sensitivity analysis
IFRS 7 B17
Paragraph 40(a) requires a sensitivity analysis for each type of market risk to which the entity is exposed. In accordance with paragraph B3, an entity decides how it aggregates information to display the overall picture without combining information with different characteristics about exposures to risks from significantly different economic environments. For example:
(a) an entity that trades financial instruments might disclose this information separately for financial instruments held for trading and those not held for trading.
(b) an entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas of very low inflation.
If an entity has exposure to only one type of market risk in only one economic environment, it would not show disaggregated information.

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IAS 32.75
In some circumstances, an entity may be able to provide useful information about its exposure to interest rate risks by indicating the effect of a hypothetical change in market interest rates on the fair value of its financial instruments and future profit or loss and cash flows. Such information may be based on, for example, an assumed one percentage point (100 basis points) change in market interest rates occurring at the balance sheet date. The effects of a change in interest rates include changes in interest income and expense relating to floating rate financial instruments and gains or losses resulting from changes in the fair value of fixed rate instruments. The reported interest rate sensitivity may be restricted to the direct effects of an interest rate change on interest-bearing financial instruments recognised at the balance sheet date because the indirect effects of a rate change on financial markets and individual entities cannot normally be predicted reliably. When disclosing interest rate sensitivity information, an entity indicates the basis on which it has prepared the information, including any significant assumptions.
IAS 32.67
For each class of financial assets and financial liabilities, an entity shall disclose information about its exposure to interest rate risk, including:
(a) contractual repricing or maturity dates, whichever dates are earlier; and
(b) effective interest rates, when applicable.
IAS 32.74
The nature of an entity's business and the extent of its activity in financial instruments determine whether information about interest rate risk is presented in narrative form, in tables or by using a combination of the two. When an entity has a variety of financial instruments exposed to fair value or cash flow interest rate risk, it may adopt one or more of the following approaches to presenting information:
(a) The carrying amounts of financial instruments exposed to interest rate risk may be presented in tabular form, grouped by those that are contracted to mature or be repriced in the following periods after the balance sheet date:
(i) in one year or less;
(ii) in more than one year but not more than two years;
(iii) in more than two years but not more than three years;
(iv) in more than three years but not more than four years;
(v) in more than four years but not more than five years; and
(vi) in more than five years.

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IFRS introduces market risk sensitivity analysis disclosures, by type of risk, including the effect of "reasonably possible changes in risk variables and the methods and assumptions used in preparing the sensitivity analysis". The interest repricing analysis required by IAS 32, or a comparable analysis, has been eliminated
IFRS 7 is clear that a "reasonably possible change" does not represent 'worst case'.

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IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7 B18 Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (eg prevailing market interest rates, currency rates, equity prices or commodity prices). For this purpose: (a) entities are not required to determine what the profit or loss for the period would have been if relevant risk variables had been different. Instead, entities disclose the effect on profit or loss and equity at the balance sheet date assuming that a reasonably possible change in the relevant risk variable had occurred at the balance sheet date and had been applied to the risk exposures in existence at that date. For example, if an entity has a floating rate liability at the end of the year, the entity would disclose the effect on profit or loss (ie interest expense) for the current year if interest rates had varied by reasonably possible amounts. (b) entities are not required to disclose the effect on profit or loss and equity for each change within a range of reasonably possible changes of the relevant risk variable. Disclosure of the effects of the changes at the limits of the reasonably possible range would be sufficient.	(b) When the performance of an entity is significantly affected by the level of its exposure to interest rate risk or changes in that exposure, more detailed information is desirable. An entity such as a bank may disclose, for example, separate groupings of the carrying amounts of financial instruments contracted to mature or be repriced: (i) in one month or less after the balance sheet date; (ii) in more than one month but not more than three months after the balance sheet date; and (iii) in more than three months but not more than twelve months after the balance sheet date. (c) Similarly, an entity may indicate its exposure to cash flow interest rate risk through a table indicating the aggregate carrying amount of groups of floating rate financial assets and financial liabilities maturing within various future time periods. (d) Interest rate information may be disclosed for individual financial instruments. Alternatively, weighted average rates or a range of rates may be presented for each class of financial instrument. An entity may group into separate classes instruments denominated in different currencies or having substantially different credit risks when those factors result in instruments having substantially different effective interest rates.	
IFRS 7 B19 In determining what a reasonably possible change in the relevant risk variable is, an entity should consider: (a) the economic environments in which it operates. A reasonably possible change should not include remote or 'worst case' scenarios or 'stress tests'. Moreover, if the rate of change in the underlying risk variable is stable, the entity need not alter the chosen reasonably possible change in the risk variable. For example, assume that interest rates are 5 per cent and an entity determines that a fluctuation in interest rates of ±50 basis points is reasonably possible. It would disclose the effect on profit or loss and equity if interest rates were to change to 4.5 per cent or 5.5 per cent. In the next period, interest rates have increased to 5.5 per cent. The entity continues to believe that interest rates may fluctuate by ±50 basis points (ie that the rate of change in interest rates is stable). The entity would disclose the effect on profit or loss and equity if interest rates were to change to 5 per cent or 6 per cent. The entity would not be required to revise its assessment that interest rates might reasonably fluctuate by ±50 basis points, unless there is evidence that interest rates have become significantly more volatile. (b) the time frame over which it is making the assessment. The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.	IAS 30.42 The disclosure of significant net foreign currency exposures is also a useful indication of the risk of losses arising from changes in exchange rates.	

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
IFRS 7 B20 Paragraph 41 permits an entity to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, if it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. Such an entity might comply with paragraph 41(a) by disclosing the type of value-at-risk model used (eg whether the model relies on Monte Carlo simulations), an explanation about how the model works and the main assumptions (eg the holding period and confidence level). Entities might also disclose the historical observation period and weightings applied to observations within that period, an explanation of how options are dealt with in the calculations, and which volatilities and correlations (or, alternatively, Monte Carlo probability distribution simulations) are used. IFRS 7 B21 An entity shall provide sensitivity analyses for the whole of its business, but may provide different types of sensitivity analysis for different classes of financial instruments. **Other market risk disclosures** IFRS 7.42 When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative. **Application guidance** **Interest rate risk** IFRS 7 B22 Interest rate risk arises on interest-bearing financial instruments recognised in the balance sheet (eg loans and receivables and debt instruments issued) and on some financial instruments not recognised in the balance sheet (eg some loan commitments). **Currency risk** IFRS 7 B23 Currency risk (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this IFRS, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. IFRS 7 B24 A sensitivity analysis is disclosed for each currency to which an entity has significant exposure.		

IFRS 7	IAS 32 (amended 2005) and IAS 30	Comments
Other price risk IFRS 7 B25 Other price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. To comply with paragraph 40, an entity might disclose the effect of a decrease in a specified stock market index, commodity price, or other risk variable. For example, if an entity gives residual value guarantees that are financial instruments, the entity discloses an increase or decrease in the value of the assets to which the guarantee applies. IFRS 7 B26 Two examples of financial instruments that give rise to equity price risk are a holding of equities in another entity, and an investment in a trust, which in turn holds investments in equity instruments. Other examples include forward contracts and options to buy or sell specified quantities of an equity instrument and swaps that are indexed to equity prices. The fair values of such financial instruments are affected by changes in the market price of the underlying equity instruments. IFRS 7 B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, for example, from instruments classified as at fair value through profit or loss and impairments of available-for-sale financial assets) is disclosed separately from the sensitivity of equity (that arises, for example, from instruments classified as available for sale). IFRS 7 B28 Financial instruments that an entity classifies as equity instruments are not remeasured. Neither profit or loss nor equity will be affected by the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.		

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