



International Accounting Standards Board®

Press Release

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IASB proposes improvements to derecognition requirements as part of review of off balance sheet risk

The International Accounting Standards Board (IASB) today published for public comment an exposure draft of proposals to improve the derecognition requirements for financial instruments. Derecognition is when an entity removes a financial instrument from its financial statements. This occurs if the entity no longer controls a financial asset or no longer has an obligation to settle a financial liability.

The IASB is also proposing to enhance disclosure requirements, especially in situations where an entity continues to have an ongoing involvement in a financial asset that would be derecognised under the proposals. The additional disclosures would allow users to make a better assessment of the risks associated with such an asset.

The proposals are part of the IASB's comprehensive review of off balance sheet activities and follow the publication of proposals in December 2008 to strengthen and improve the requirements for identifying which entities a company controls, known as consolidation.

The use of special structures by reporting entities, particularly banks, to manage securitisations and other complex financial arrangements was highlighted as a matter of concern by the G20 leaders at their meeting in Washington, DC, in November 2008. The IASB's comprehensive review of off balance sheet risk is a response to that concern.

The IASB intends to hold public round tables to seek wider views on its derecognition and consolidation proposals and to broaden understanding of the interaction between the two projects. The IASB and the US Financial Accounting Standards Board (FASB) have already announced their intention that these will become joint projects once the FASB has completed short-term amendments to its existing standards.

Introducing the exposure draft, Sir David Tweedie, Chairman of the IASB, said:

This project has been on our agenda since before the financial crisis broke but the market turmoil has highlighted the urgency of the matter and we have accelerated our work. Financial structures have become increasingly complex and sophisticated, creating the need for improved ways of assessing whether an entity should derecognise assets or not. The financial crisis has also shown that users of financial statements require better information to understand any remaining risks related to assets that are off balance sheet. Our proposals are addressing these concerns.

The IASB will host two live web presentations to introduce its proposals. Dates will be announced on the IASB website shortly. An IASB 'Snapshot', a high level summary of the proposals, will also be available to download free of charge from the project section of the IASB website.

The IASB invites comments on the exposure draft, *Derecognition*, by 31 July 2009. The exposure draft is available on the 'Open for Comment' section on www.iasb.org from today

Printed copies of *Derecognition* (Proposed amendments to IAS 39 and IFRS 7) (ISBN 978-1-907026-04-1) will be available shortly at £10 plus shipping from the IASC Foundation Publications Department. Subscribers may also view the document on the eIFRS website. Those wishing to subscribe to eIFRSs should visit the online shop at www.iasb.org or contact:

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The IASB plans to redeliberate the proposals in the light of respondents' comments and to issue the resulting amendments to IFRSs in the second half of 2009.

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Notes for editors***About the IASB***

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. Its 14 members (13 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience.