



International Accounting Standards Board®

Press Release

13 October 2008

IASB amendments permit reclassification of financial instruments

The International Accounting Standards Board (IASB) today issued amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* that would permit the reclassification of some financial instruments. The amendments to IAS 39 introduces the possibility of reclassifications for companies applying International Financial Reporting Standards (IFRSs), which were already permitted under US generally accepted accounting principles (GAAP) in rare circumstances.

The deterioration of the world's financial markets that has occurred during the third quarter of this year is a possible example of rare circumstances cited in these IFRS amendments and therefore justifies its immediate publication. Today's action enables companies reporting according to IFRSs to use the reclassification amendments, if they so wish, from 1 July 2008.

These amendments are the latest in a series of steps that the IASB has undertaken to respond to the credit crisis. The IASB has worked with a number of other regional and international bodies, including the Financial Stability Forum (FSF), to address financial reporting issues associated with the credit crisis. In responding to the crisis, the IASB notes the concern expressed by EU leaders and finance ministers through the ECOFIN Council to ensure that 'European financial institutions are not disadvantaged vis-à-vis their international competitors in terms of accounting rules and of their interpretation.' The amendments today address the desire to reduce differences between IFRSs and US GAAP in a manner that produces high quality financial information for investors across the global capital markets.

Sir David Tweedie, Chairman of the IASB, said:

In addressing the rare circumstances of the current credit crisis, the IASB is committed to taking urgent action to ensure that transparency and confidence are restored to financial markets. The IASB has acted quickly to address the concerns raised by EU leaders and others regarding the issue of reclassification. Our response

is consistent with the request made by European leaders and finance ministers; it is important that these amendments are permitted for use rapidly and without modification.’

For more information about the IASB’s response to the credit crisis, see the Website at <http://www.iasb.org/credit+crisis.htm>.

Reclassification of Financial Assets (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*) is available for eIFRS subscribers from today. Those wishing to subscribe to eIFRSs should visit the online shop or contact:

IASC Foundation Publications Department,
30 Cannon Street, London EC4M 6XH, United Kingdom.
Tel: +44 (0)20 7332 2730 Fax +44 (0)20 7332 2749
Email: publications@iasb.org Web: www.iasb.org

Printed copies (ISBN 978-1-905590-78-0) will be available shortly, at £10.00 plus shipping, from the IASC Foundation Publications Department.

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Press enquiries

Mark Byatt , Director of Corporate Communications, IASB
Telephone: +44 (0)20 7246 6472 Email: mbyatt@iasb.org

Technical enquiries

Gavin Francis, Director of Capital Markets, IASB
Telephone: +44 (0)20 7246 6901 Email: gfrancis@iasb.org

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. Its 14 members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience.

Appendix A

The following table illustrates how reclassification will be dealt with following this announcement by IFRSs when compared with US GAAP.

| | US GAAP | IAS 39 Amendments |
|--|----------------|--------------------------|
| Reclassification of securities out of the trading category in rare circumstances | Permitted | Permitted |
| Reclassification to loan category (cost basis) if intention and ability to hold for the foreseeable future (loans) or until maturity (debt securities) | Permitted | Permitted |
| Reclassification if fair value option previously elected | Not permitted | Not permitted |