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Staff paper

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Introduction

1. One of the final, yet important, aspects of the dynamic risk management (DRM) model to consider is the initial application process and how entities would transition from their current hedge accounting or other accounting models. Whether an entity is applying IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments* to its current hedging relationships leads to different transition permutations, adding complexity to the initial application process. The purpose of this paper is to analyse potential transition requirements for the first-time application of the DRM model for each situation an entity may be starting from.

2. We also discuss some of the potential consequential amendments to IFRS 9 and other IFRS Accounting Standards as direct consequences of the applicable requirements of the DRM model.

3. This paper is structured as follows:

   (a) staff recommendations and the questions for the IASB;

   (b) transition requirements of the DRM model; and

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(c) potential consequential amendments.

Staff recommendations and the question for the IASB

4. Based on the staff analysis in paragraph 6 to 44 of this paper, we recommend that:

   (a) the DRM model is applied on a prospective basis and that early application is permitted when accompanied by the required disclosure;

   (b) an entity transitioning from IFRS 9 hedging relationships is permitted to discontinue its existing hedging relationships on the date of initial application (that is the beginning of the annual reporting period in which an entity first applies the requirements) to enable the underlying financial assets and financial liabilities to be designated in a DRM relationship at that date;

   (c) an entity transitioning from IAS 39 hedging relationships applies the requirements in paragraphs 6.5.10 and 6.5.12 of IFRS 9 to the hedge adjustments related to those hedging relationships;

   (d) an entity transitioning to the DRM model is permitted to revoke at the date of initial application, the designation of financial assets or financial liabilities under the fair value option in IFRS 9 on a prospective basis, to enable those financial assets and financial liabilities to be designated in a DRM relationship at that date;

   (e) an entity is not required to provide the disclosures in paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and

   (f) an entity is required to provide specific transition disclosures in the financial statements about the effects of:

      (i) transitioning to the DRM model (as per paragraph 42 of this paper); and

      (ii) the revocation of any financial assets or financial liabilities previously designated under the fair value option in IFRS 9 (as per paragraph 43 of this paper).

5. Regarding potential consequential amendments, we recommend:

   (a) that the DRM requirements are included in Chapter 7 of IFRS 9 and that the effective date and transition requirements are relocated to a new chapter in the Standard;

   (b) that first-time adopters are required to apply the DRM model prospectively; and

   (c) not to include reduced disclosure requirements for the DRM model in IFRS 19 *Subsidiaries without Public Accountability* at this stage.

Question for the IASB
1. Do the IASB members agree with the staff's recommendations included in paragraphs 4 and 5 of this paper?

Transition requirements for the DRM model

Background

6. As noted in paragraph BCIN.2 of the Basis for Conclusions on IFRS 9, the IASB decided to replace IAS 39 in its entirety as a result of the financial crisis that started in 2007. However, when developing the hedge accounting requirements in IFRS 9, the IASB noted that addressing hedge accounting for open portfolios is a complex topic that warrants thorough research.[1] The IASB therefore decided to provide entities with an accounting policy choice between applying the hedge accounting requirements in IFRS 9 and continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting until its project on the accounting for macro hedging is completed.[2] In addition, even if an entity made the choice to apply the IFRS 9 requirements, the entity could still choose as an accounting policy, to apply the portfolio fair value hedge requirements in IAS 39.

[1] Refer to paragraph BC6.90 of the Basis for Conclusions on IFRS 9.

[2] Refer to paragraph BC6.104 of the Basis for Conclusions on IFRS 9.

7. The IASB has been developing the current DRM model to address the difficulties associated with applying the hedge accounting requirements to a dynamically managed portfolio with continuous or frequent changes in open repricing risk positions.

8. As such, the DRM model is not simply a like-for-like replacement of the requirements of a portfolio fair value hedge. The DRM model has been developed as a new accounting method with the objective of better reflecting an entity's interest rate repricing risk management activities in its financial statements. Therefore, although the DRM model is only applicable to interest rate risk, it applies to a wider range of risk management activities (as tentatively decided at the July 2024 IASB meeting) than the traditional portfolio fair value hedges and 'macro cash flow hedges' designated under IAS 39 or the general hedge accounting requirement under IFRS 9.[3]

9. Therefore, when considering potential transition requirements for the initial application of the DRM model, these requirements should not only address transition from IAS 39, but also from IFRS 9 hedging relationships. In addition, some entities may have chosen to not apply any hedge accounting because they were unable to faithfully reflect the effects of their risk management activities in their financial statements due to the limitations of the current accounting requirements. While some of these entities might have decided to accept the 'accounting mismatches' in their financial statements, others might have applied the fair value option to their financial assets or financial liabilities instead.[4]

10. As the objective of the DRM model is to better reflect these risk management activities in entities' financial statements and therefore provide more useful information to users of their financial statements, these situations have to be considered as part of any potential transition requirements.

[3] 'Macro cash flow hedge' is the colloquial reference to the hedging accounting approach described in paragraphs F6.2 and F6.3 of the Implementation Guidance of IAS 39. Although the IASB decided not to carry forward this Implementation Guidance, paragraph BC6.95 of *Basis for Conclusions on IFRS 9* explains that not carrying forward the Implementation Guidance did not mean that the IASB had rejected that guidance.

[4] 'Accounting mismatch' in this context refers to the measurement or recognition inconsistency between their underlying financial assets or financial liabilities and derivatives used for risk mitigation.

Prospective application of the DRM model

11. In accordance with IFRS 9 (and previously IAS 39), new hedging relationships can only be designated prospectively. As noted in paragraph BC6.77 of the Basis for Conclusions on IFRS 9, in many situations, hedge accounting is a necessary exception from the normal accounting requirements to provide useful information to users of financial statements or ensure that important information is not omitted from the financial statements. Although IAS 8 states that retrospective application is the preferred approach to transition, in the context of hedge accounting, retrospective application, similar to retrospective designation, gives rise to concerns about the use of hindsight. For that reason, upon initial application of the IFRS 9 hedge accounting requirements retrospective application was not permitted and the requirements had to be applied on a prospective basis.

12. Similar to the hedge accounting requirements, an entity is only able to designate a new DRM model prospectively. This requirement for prospective-only application is an important principle that ensures the robustness of the DRM model and prevents entities from using hindsight to decide whether and when to apply the DRM model purely to achieve a particular result in profit or loss, especially when the application of DRM model is optional.

13. Consequently, we are of the view that retrospective application of the DRM model is not appropriate for transition because it could give rise to similar concerns as retrospective designation of hedge accounting regarding the use of hindsight.

14. We therefore recommend the IASB only permits the prospective application on transition to the DRM model.

Transition requirements for existing hedge accounting relationships

15. As discussed in paragraph 8 of this paper, some entities may have applied hedge accounting requirements in accordance with IFRS 9 or IAS 39 to reflect the risk management activities to which the DRM model would be applicable.

16. The DRM model is a new accounting method for reflecting particular risk management activities in the financial statements. Therefore, if an entity has been applying hedge accounting requirements to those activities (regardless of whether it is in accordance with IFRS 9 or IAS 39), initial application of the DRM model would require the discontinuation of existing hedging relationships and the designation of the DRM relationship. However, given the different circumstances that could apply (as explained in paragraph 6 of this paper), we analysed the transition pathways from IFRS 9 and IAS 39 separately as indicated in the below diagram.

Current accounting / New accounting	IFRS 9 hedge accounting	DRM accounting
IAS 39 hedge accounting	Paragraph 19	Paragraphs 20–22
IFRS 9 hedge accounting	N/A	Paragraphs 23–27
Fair value option	N/A	Paragraphs 30–34

Entities applying IAS 39 hedge accounting requirements

17. This group would encompass entities that are currently applying the hedge accounting requirements in accordance with IAS 39, including those who are applying the portfolio fair value hedge requirements.

18. As the DRM model is the last component of IFRS 9 to complete the replacement of IAS 39, entities that are currently applying the IAS 39 requirements would be required to cease applying these requirements when the DRM requirements become effective (which is the date that the IAS 39 requirements would no longer be available to apply).

19. Since the application of the DRM model is optional, some entities may prefer to apply hedge accounting requirements in accordance with IFRS 9. In that case, entities would apply the transition requirements for hedge accounting as per paragraphs 7.2.22−7.2.26 of IFRS 9.

20. However, if an entity decides to apply the DRM model, the relevant IAS 39 hedging relationships must be discontinued from that date. The prospective application of the DRM model from the date of initial application would not directly affect the hedge accounting adjustments of these discontinued hedging accounting relationships, as the DRM model would only capture any changes from that date onwards as for any DRM relationship.

21. An important consideration for these discontinued hedging relationships is the treatment of existing hedge accounting amounts in the financial statements at the date of initial application. In our view, the most appropriate way to deal with these balances and amounts would be to apply the discontinuation requirements in IAS 39. In accordance with the requirements in paragraph 92 and paragraph 101(d) of IAS 39, the cumulative hedge accounting adjustments would continue to be recognised as an adjustment to the carrying amount of the hedged item and amortised to profit or loss over time (in case of a fair value hedge) or as a separate component of equity and reclassified from equity to profit or loss over time (in case of a cash flow hedge).

22. We note however that IFRS 9 has the same requirements as IAS 39 regarding how discontinued hedging relationships are accounted for, because paragraph 6.5.10 and paragraph 6.5.12 of IFRS 9 were carried over substantially unchanged from IAS 39. Therefore, we recommend that for the discontinued IAS 39 hedging relationships an entity applies the requirements in paragraphs 6.5.10 and 6.5.12 of IFRS 9.

Entities applying IFRS 9 hedge accounting requirements

23. This group would encompass entities that are applying the hedge accounting requirements in accordance with IFRS 9.

24. Unlike the entities that are transitioning from the IAS 39 hedge accounting requirements, for these entities, the requirements they have been applying do not cease to be available. Nonetheless, the introduction of a new accounting method in the form of the DRM model means that entities might want to change their hedging

relationships to better reflect their risk management activities in their financial statements.

25. However, IFRS 9 does not permit the voluntary discontinuation of a hedging relationship that still meets the risk management objective.[5] Discontinuation of a hedging relationship is permitted only when the hedging relationship ceases to meet the qualifying criteria. And in most cases, the introduction of new accounting requirements would not automatically result in the qualifying criteria no longer being met, especially if the existing hedge accounting relationships still meet the entity's risk management objective and continue to meet all other qualifying hedge accounting criteria. Therefore, without specific transition requirements, most entities would not be able to designate a DRM relationship until the existing hedging relationships expire.

26. In our view, to satisfy the objective of the DRM model, we believe it is necessary to permit entities to discontinue their existing IFRS 9 hedging relationships to enable them to designate a DRM relationship when doing so would allow them to better reflect the effects of their risk management activities.

27. In addition, we are of the view that this relief is restricted to transition only (ie it is a transition relief only applicable on the date of initial application). Although we acknowledge that some entities might not be ready to transition to the DRM model on that date (ie to make such a big change to their hedging relationships), at the same time we think this is necessary to remain consistent with the requirement to prohibit voluntary discontinuation of hedge accounting. We think this will also help to avoid situations in which the timing of the discontinuation of the IFRS 9 hedging relationships and designation of a DRM relationship could be manipulated to achieve a particular outcome. Therefore, if an entity did not make use of the transition relief on the date of initial application, it will have to wait for the existing hedging

[5] The reasons for prohibiting of voluntary discontinuation of hedge accounting under IFRS 9 are discussed in paragraph BC6.314 to BC6.331 of the Basis for Conclusions for IFRS9.

relationships to expire before being able to designate the underlying financial assets and financial liabilities in a DRM relationship.

Entities not currently applying hedge accounting

28. This group would encompass entities whose interest rate risk management activities include the activities that are applicable to the DRM model but that currently do not apply any hedge accounting in accordance with IFRS 9 or IAS 39. This include entities that have decided to either:
    (a) accept the accounting mismatch between the underlying items and derivatives, and account for them applying the general requirements in IFRS 9; or
    (b) try to reduce the accounting mismatch between the underlying items and derivatives by designating the underlying items at fair value through profit or loss in accordance with paragraph 4.1.5 or paragraph 4.2.2 of IFRS 9.

29. In our view, the DRM transition requirements are not applicable to those entities described in paragraph 28(a), as the entity may choose to apply the DRM model prospectively from any date after the date of initial application, in which case, the DRM model would help the entity to reflect the effect of reduced variability in its financial statements from that date onwards. On the other hand, the entity may also choose to continue accepting the accounting mismatch and account for the underlying items and derivatives applying the general requirements in IFRS 9.

30. However, for those entities described in paragraph 28(b), the optional designation of financial assets or financial liabilities at fair value through profit or loss is only available at initial recognition of the financial instruments and is irrevocable. Therefore, without a DRM transition relief, such financial instruments would not qualify as underlying items for determining the CNOP. This would be the case even if these financial instruments are economically managed together with other underlying items for interest rate repricing risk, and the entity has only chosen to apply the fair value option due to the limitations of the current hedge accounting requirements.

31. The application of the DRM model could provide these entities with a new accounting method that better and more faithfully reflects the effects of their risk management activities for mitigating repricing risk going forward. Therefore, in our view, it would not be appropriate to prevent these entities from including these financial assets or financial liabilities as qualifying underlying items for determining the CNOP prospectively, purely because they were previously designated at fair value through profit or loss when the DRM model was not available.

32. Instead, we think it is necessary to provide a transition relief and permit an entity to revoke its previous designation of financial assets or financial liabilities at fair value through profit or loss on the date of initial application. However, the ability to revoke a previous designation under the fair value option applies only to financial assets and financial liabilities that, for risk management purposes are managed together with other financial assets and financial liabilities that expose the entity to repricing risk.[6]

33. Since we have recommended to only permit the prospective application of the DRM model (as discussed in paragraphs 11–14), we think the revocation of the designation of financial instruments at fair value through profit or loss also needs to be prospective in nature. In other words, applying this transition relief, the fair value of a financial instrument on the date of initial application, would become its new gross carrying amount and the basis for determining the instrument’s effective interest rate. For the purposes of applying Section 5.5 of IFRS 9 to financial assets, the date of initial application is treated as the date of initial recognition of the financial asset.

34. We considered that this transition relief (ie exception to the irrevocable designation principle), that is only applicable on the date of initial application, would not inadvertently compromise the underlying principles of fair value option or lead to inappropriate recognition of future gains or losses. Instead, it would ensure entities are

[6] In our view, this transition relief would be similar to the revocations permitted in the transition for classification and measurement requirements as per paragraph 7.2.9 and 7.2.10 of IFRS 9. The reasons for allowing such a revocation are discussed in Paragraph BC7.19 of Basis for Conclusion of IFRS 9.

able to better reflect the effects of their risk management activities in the financial statements.

Early application

35. When IFRS 9 was published, an entity was permitted to apply IFRS 9, including the hedge accounting requirements, earlier than the effective date of 1 January 2018. However, an entity electing to apply IFRS 9 early, was required to disclose that fact and apply all of the requirements in IFRS 9 at the same time.

36. The IASB has not yet discussed the potential effective date of the DRM model. However, considering that the application of the DRM model could provide significant benefits and allow entities to better reflect the effects of their repricing risk management activities in their financial statements, we see no reason to prohibit the early application of the DRM model if an entity wishes to do so and meets all other qualifying criteria for the DRM model at the time of early application of the DRM model. We think permitting earlier application would allow entities to start delivering more useful information to users of their financial statements earlier than the effective date.

37. Therefore, we recommend the IASB permits early application of the requirements of the DRM model and requires disclosure of that fact.

Transition disclosures

38. When the initial application of new requirements has an effect on the current period or might have an effect on future periods, an entity is required to provide the disclosures required by paragraph 28 of IAS 8. This includes the requirement in paragraph 28(f) to provide quantitative information for each line item in the financial statements affected about the current period.

39. However, in our view, requiring this disclosure (paragraph 28(f)) would be inconsistent with prospective application of the DRM model. Furthermore, it would

be impracticable for an entity to apply two substantially different accounting methods at the same time (for example, applying the DRM model vs applying the hedge accounting).

40. In addition, we think that specific transition disclosures would be needed to enable users of financial statements to understand the effect of transitioning to the DRM model on an entity's financial statements. Although initial application of the DRM model might not change the amounts recognised in the financial statements, we nonetheless think it is necessary to provide information about the discontinuation of any IFRS 9 or IAS 39 hedging relationships and how the underlying items and derivatives have been included in the DRM model.

41. We therefore think it would provide useful information to users of financial statements if IFRS 7 *Financial Instruments: Disclosures* requires, at the date of initial application, the disclosure of information that is similar to that required at the end of the reporting period.

42. To achieve this, we recommend that an entity is required to disclose, as at the date of initial application:

    (a) the items the entity used to determine its CNOP, in a table, including:

        (i) the carrying amounts of the recognised financial assets and financial liabilities, or the notional amounts of yet-to-be-recognised future transactions;

        (ii) the line items in the statement of financial position containing the underlying items; and

        (iii) information about any hedged exposures included;

    (b) information about the designated derivatives, in a table, including:

        (i) the carrying amount of the designated derivatives;

        (ii) the line item in the statement of financial position containing the designated derivatives; and

(iii) the nominal amounts of the designated derivatives;

(c) cumulative hedge accounting adjustments included in the carrying amount of hedged items or in the cash flow hedge reserve, related to the discontinued hedging relationships that are transitioning to the DRM model.

43. In addition, we expect an entity to provide further disclosures, if it decides to revoke the previous designation of financial assets or financial liabilities at fair value through profit or loss, as discussed in paragraphs 30−34, including:

(a) an explanation of the reason for the revocation; and

(b) the fair value of financial assets and financial liabilities on the date of initial application.

44. In our view, providing this information to highlight changes arising from the application of the DRM model will be particularly beneficial to users of financial statements.

Implication on capacity assessment

45. We also considered the potential effect of the transition requirements related to the discontinuation of any IFRS 9 or IAS 39 hedging relationships (see paragraphs 17−27) on the DRM capacity assessments, as the DRM model is only applied prospectively from the date of initial application.

46. However, we noted that when an entity measures the maximum future economic benefit of its CNOP at the reporting date based on the present value of that position, it would need to adjust for the amount that is already recognised in the statement of financial position because the capacity assessment refers only to expected cash flows that are available to be mitigated in the future.[7] Therefore, such adjustment would have considered the effects of any fair value hedge accounting adjustments that were included as part of the carrying amount of the hedged item.

[7] This is discussed in in paragraph 24 of Agenda Paper 4A of June 2024 IASB meeting

47. Therefore, we conclude that no additional transition relief is required in such circumstances.

Potential consequential amendments

48. We summarise some potential consequential amendments to IFRS 9 and other IFRS Accounting Standards in this section. We will continue to assess the impact of the DRM model on other IFRS Accounting Standards during the drafting of the Exposure Draft, and address any consequential amendments identified as needed.

IFRS 9 Financial Instruments

49. We think the requirements of the DRM model (other than the disclosure requirements) would be best included in IFRS 9 as a new chapter. Considering the close linkage between the DRM model and hedge accounting, we are of the view that the DRM model requirements could be included as the new Chapter 7 of the IFRS 9. That is to say, paragraphs relating to effective date and transition requirements of IFRS 9, currently included in Chapter 7, are moved into a new chapter, say Chapter 8, together with the proposed transition requirements of the DRM model.

50. To reflect the intended replacement of IAS 39, we will also need to make some additional changes to the requirements in IFRS 9 and other IFRS Accounting Standards that refer to IAS 39, for example, paragraph 7.2.21 of IFRS 9 that allows an entity an accounting policy choice of continuing to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9.

First-time adoption of IFRS (IFRS 1)

51. IFRS 1 *First-time Adoption of International Financial Reporting Standards* currently does not permit the retrospective application of hedge accounting to transactions entered into before the date of transition to IFRS Accounting Standards (as per

paragraphs B4–B6 of IFRS 1). We have not identified any reason to have a different requirement for the application of DRM model.

52. At the date of transition to IFRS Accounting Standards, a first-time adopter would need to look at the entire population of its existing risk management activities to assess which activities would meet the qualifying criteria of the DRM model and whether the effects of these activities would be better reflected by the application of the DRM model.

53. In our view, similar to an entity already applying IFRS Accounting Standard, a first-time adopter may also face the challenges of using hindsight as described in paragraph 12 of this paper, if it is permitted to apply the DRM model retrospectively. In addition, before beginning the preparations for adopting IFRS 9 and applying the DRM model, it is also unlikely that an entity would have met all qualifying criteria of applying the DRM model, including documentation and collection of necessary data for prospective and retrospective assessments, even if the entity has already been carrying out the applicable risk management activities.

54. Therefore, we recommend the IASB also requires the prospective application of the DRM model by a first-time adopter, for the same reasons as those discussed in paragraph 11 to 14 of this paper for entities that apply IFRS Accounting Standards already.

IFRS 18 Presentation and Disclosure in Financial Statements

55. IFRS 18 *Presentation and Disclosure in Financial Statements* aims to improve how companies communicate in their financial statements. It sets out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 becomes effective from 1 January 2027, and it is anticipated that the finalised requirements of the DRM model will be effective after this date. Therefore, entities will apply these requirements in conjunction with the requirements in IFRS 18.

56. Paragraph 75(b) of IFRS 18 lists the amounts required by IFRS 9 that an entity shall present in separate line items in the statement of profit or loss, and paragraph 103 of IFRS 18 lists the line items that are required to be presented separately in the statement of financial position.

57. Therefore, we will incorporate the presentation requirements of the DRM model as tentatively agreed by the IASB in June 2024 into IFRS 18 through a consequential amendment.

IFRS 19 Subsidiaries without Public Accountability

58. The IASB published IFRS 19 in May 2024, which permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements.

59. Paragraphs BC108–BC113 of the *Basis for Conclusions on IFRS 19* describe the IASB's approach to maintaining IFRS 19—each new or amended IFRS Accounting Standard will include consequential amendments to IFRS 19 setting out reduced disclosure requirements as appropriate. Paragraph BC110 states that:

> As part of this process, the IASB will continue to apply the principles in paragraph BC33 to determine whether new or amended disclosure requirements being proposed as part of IFRS Accounting Standards provide useful information to users of the financial statements of eligible subsidiaries and, thus, whether to include those disclosures in IFRS 19…

60. The IASB tentatively agreed the disclosure requirements of the DRM model in September 2024, which will be included in IFRS 7. However, these disclosure requirements are only a requirement for entities that carry out the applicable risk management activities as tentatively agreed in July 2024—an entity would only be able to apply the DRM model if it:

(a) has business activities that expose it to interest rate repricing risk arising from financial assets and financial liabilities;

(b) adopts a dynamic risk management strategy with a dual objective that aims to mitigate the variability of both the net interest income and the economic value of equity, based on an aggregated (combined or net) repricing risk over a predetermined period;

(c) uses a systematic process to determine the net repricing risk exposure based on a specified managed rate and frequently adjusts its risk mitigation activities; and

(d) has free access to a liquid market that enables it to raise funding or invest excess cash at the prevailing benchmark interest rate.

61. We think that most of the entities that carry out these risk management activities and qualify to apply the DRM model would not be eligible to apply the requirements of IFRS 19. However, we acknowledge that there might be situations in which some subsidiaries without public accountability carry out similar activities and may qualify to apply the DRM model. We have therefore considered whether reduced disclosure requirements would be appropriate, using the six principles as described in paragraph BC33 of the *Basis for Conclusions on IFRS 19*:

> In developing the IFRS for SMEs Accounting Standard, the IASB acknowledged it was difficult to assess the disclosure requirements to include in that Standard. In developing the Exposure Draft and then IFRS 19, the IASB was guided by the six broad principles it used for the disclosure requirements in the IFRS for SMEs Accounting Standard:
>
> a) users of the financial statements of eligible subsidiaries are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not they are recognised as liabilities.

b) users of the financial statements of eligible subsidiaries are particularly interested in information about liquidity and solvency.

c) information on measurement uncertainties is important for eligible subsidiaries.

d) information about an entity's accounting policy choices is important for eligible subsidiaries.

e) disaggregations of amounts presented in eligible subsidiaries' financial statements are important for an understanding of those statements.

f) some disclosures in IFRS Accounting Standards are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical eligible subsidiaries.

62. Considering the complexity of the DRM model, we are of the view that a reduced disclosure requirement would significantly diminish the usefulness of the information provided by applying the DRM model. Furthermore, most of the information that is required to be disclosed is arising from the direct application of the DRM model and therefore would likely be available without undue cost. In addition, we believe that requiring the same complete list of disclosures to be provided by *all* entities that apply the DRM model, would allow users of financial statements to increase their familiarity with the new DRM model and with its effects on an entity's financial statements.[8]

63. Therefore, we recommend not to include reduced disclosure requirements for the DRM model in IFRS 19 at this stage.

[8] In our view, these reasons are similar to those considered by the IASB when it decided not to include reduced disclosure requirements for IFRS 17 *Insurance Contracts*, as per paragraph BC83 of Basis for Conclusions on IFRS 19.