

**Analysis of Disclosure Requirements Relating to
Tier 2 Supplement to 2010-X Amendments to
Australian Accounting Standards *Disclosures –
Transfers of Financial Assets* (Amendments to
IFRS 7)**

**(For the Supplement see
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Working Draft

Analysis of Disclosure Requirements

Disclosures in Amending Standard 2010-X	Disclosure Requirements in <i>IFRS for SMEs</i> , Section 11	Comments
<p>Transfers of financial assets</p> <p>42A The disclosure requirements in paragraphs 42B–42H relating to transfers of financial assets supplement the other disclosure requirements of this IFRS. An entity shall present the disclosures required by paragraphs 42B–42H in a single note in its financial statements. An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. For the purposes of applying the disclosure requirements in those paragraphs, an entity transfers all or a part of a financial asset (the transferred financial asset), if, and only if, it either:</p> <ul style="list-style-type: none"> (a) transfers the contractual rights to receive the cash flows of that financial asset; or (b) retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement. 	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph 42A is in the nature of contextual material/guidance and should be retained in Tier 2 disclosure requirements based on the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>

Disclosures in Amending Standard 2010-X	Disclosure Requirements in <i>IFRS for SMEs</i> , Section 11	Comments
<p>42B An entity shall disclose information that enables users of its financial statements:</p> <p>(a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and</p> <p>(b) to evaluate the nature of, and risks associated with, the entity’s continuing involvement in derecognised financial assets.</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph 42B has no equivalent in the <i>IFRS for SMEs</i>, however some of the requirements in the paragraphs supporting paragraph 42B are equivalent to <i>IFRS for SMEs</i> requirements, are assessed below. Accordingly, paragraph 42B should be retained in Tier 2 disclosure requirements based on various aspects of the reasoning in paragraphs 5 and 6 of ‘Tier 2 Disclosure Principles’.</p>
<p>42C For the purposes of applying the disclosure requirements in paragraphs 42E–42H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 42E–42H, the following do not constitute continuing involvement:</p> <p>(a) normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action;</p> <p>(b) forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or</p> <p>(c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph 42C is in the nature of contextual material/guidance and should be retained in Tier 2 disclosure requirements based on the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>

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<p>financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 19(a)–(c) of IAS 39 are met.</p>		
<p>Transferred financial assets that are not derecognised in their entirety</p> <p>42D An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:</p> <p>(a) the nature of the transferred assets.</p> <p>(b) the nature of the risks and rewards of ownership to which the entity is exposed.</p> <p>(c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity’s use of the transferred assets.</p> <p>(d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the</p>	<p>11.45 If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition (see paragraphs 11.33–11.35), the entity shall disclose the following for each class of such financial assets:</p> <p>(a) the nature of the assets.</p> <p>(b) the nature of the risks and rewards of ownership to which the entity remains exposed.</p>	<p>Paragraphs 42D(a) and 42D(b) correspond to paragraphs 11.45(a) and 11.45(b) of the <i>IFRS for SMEs</i> respectively.</p> <p>Paragraphs 42D(e) and 42D(f) correspond to paragraph 11.45(c) of the <i>IFRS for SMEs</i>.</p> <p>Paragraphs 42D(c) and 42D(d) do not correspond to the <i>IFRS for SMEs</i> and based on cost-benefit reasons (paragraph 5 of ‘Tier 2 Disclosure Principles’), paragraphs 42D(c) and 42D(d) should be excluded from the Tier 2 disclosure requirements. This is particularly in light of the disclosure of the generally descriptive information required by paragraphs 42D(a) and 42D(b).</p> <p>Therefore, paragraph 42D, except for paragraphs 42D(c) and 42D(d), should be retained in the Tier 2 disclosure requirements.</p>

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<p>associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).</p> <p>(e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.</p> <p>(f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 20(c)(ii) and 30 of IAS 39), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.</p>	<p>(c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise.</p>	
<p>Transferred financial assets that are derecognised in their entirety</p> <p>42E To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 20(a) and (c)(i) of IAS 39) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:</p> <p>(a) the carrying amount of the assets and liabilities that are recognised in the entity’s statement of financial position and represent the entity’s continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised.</p> <p>(b) the fair value of the assets and liabilities that represent the entity’s continuing involvement in</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph 42E corresponds to the principle disclosure requirement in paragraph 42B(b). Although paragraph 42E has no equivalent in the <i>IFRS for SMEs</i>, paragraph 42E(c) should be retained in the Tier 2 disclosure requirements based on the reasoning in paragraphs 6(b) and 6(c) of the ‘Tier 2 Disclosure Principle’.</p> <p>However, paragraphs 42E(a), 42E(b), 42E(d), 42E(e) and 42E(f) do not correspond to the <i>IFRS for SMEs</i> and based on cost-benefit reasons (paragraph 5 of ‘Tier 2 Disclosure Principles’), paragraphs 42E(a), 42E(b), 42E(d), 42E(e) and 42E(f) should be excluded from the Tier 2 disclosure requirements.</p>

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<p>the derecognised financial assets.</p> <p>(c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined.</p> <p>(d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (eg the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date.</p> <p>(e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement.</p> <p>(f) qualitative information that explains and supports the quantitative disclosures required in (a)–(e).</p>		
<p>42F An entity may aggregate the information required by paragraph 42E in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph 42F relates to paragraph 42E and is in the nature of contextual material/guidance for paragraph 42E(c), which is proposed to be retained in Tier 2 disclosure requirement. Accordingly, based on the reasoning in paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 42F should be retained in Tier 2 disclosure requirements.</p>

Disclosures in Amending Standard 2010-X	Disclosure Requirements in <i>IFRS for SMEs</i> , Section 11	Comments
<p>42G In addition, an entity shall disclose for each type of continuing involvement:</p> <p>(a) the gain or loss recognised at the date of transfer of the assets.</p> <p>(b) income and expenses recognised, both in the reporting period and cumulatively, from the entity’s continuing involvement in the derecognised financial assets (eg fair value changes in derivative instruments).</p> <p>(c) if the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (eg if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):</p> <p>(i) when the greatest transfer activity took place within that reporting period (eg the last five days before the end of the reporting period),</p> <p>(ii) the amount (eg related gains or losses) recognised from transfer activity in that part of the reporting period, and</p> <p>(iii) the total amount of proceeds from transfer activity in that part of the reporting period. An entity shall provide this information for each period for which a statement of comprehensive income is presented.</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph 42G has no equivalent in the <i>IFRS for SMEs</i>.</p> <p>Paragraphs 42G(a) and 42G(b) are “... useful in assessing the extent to which an entity generates profits from transferring financial assets while retaining some form of continuing involvement and thus exposure to risk.”. [paragraph BC65M of IASB <i>Disclosures-Transfers of Financial Assets</i> (Amendments to IFRS 7)]</p> <p>However, based on cost-benefit reasons (paragraph 5 of ‘Tier 2 Disclosure Principles’), paragraphs 42G(a) and 42G(b) should be excluded from Tier 2 disclosure requirements.</p> <p>If transfer activity is concentrated around the end of reporting periods, paragraphs 42G(c)(i), 42G(c)(ii) and 42G(c)(iii) “... provides an indication of whether transfer transactions are undertaken for the purpose of altering the appearance of the statement of financial position rather than for an ongoing commercial or financing purpose”. [paragraph BC65N of IASB <i>Disclosures-Transfers of Financial Assets</i> (Amendments to IFRS 7)]</p> <p>Accordingly, paragraphs 42G(c)(i), 42G(c)(ii) and 42G(c)(iii) should be retained in the Tier 2 disclosure requirements based on the reasoning in paragraph 6(e) of ‘Tier 2 Disclosure Principles’.</p>

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<p>Supplementary information</p> <p>42H An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 42B.</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph 42H corresponds to the principle disclosure requirements in paragraph 42B, which is proposed to be retained in the Tier 2 disclosure requirements. Although paragraph 42H has no equivalent in the <i>IFRS for SMEs</i>, paragraph 42H should be retained in the Tier 2 disclosure requirements based on the reasoning in paragraph 5 of the ‘Tier 2 Disclosure Principle’ on rebuttable presumption.</p>
<p>Appendix B Application guidance Continuing involvement (paragraph 42C)</p> <p>B29 The assessment of continuing involvement in a transferred financial asset for the purposes of the disclosure requirements in paragraphs 42E–42H is made at the level of the reporting entity. For example, if a subsidiary transfers to an unrelated third party a financial asset in which the parent of the subsidiary has continuing involvement, the subsidiary does not include the parent’s involvement in the assessment of whether it has continuing involvement in the transferred asset in its stand-alone financial statements (ie when the subsidiary is the reporting entity). However, a parent would include its continuing involvement (or that of another member of the group) in a financial asset transferred by its subsidiary in determining whether it has continuing involvement in the transferred asset in its consolidated financial statements (ie when the reporting entity is the group).</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B29 has no equivalent in the <i>IFRS for SMEs</i> but is in the nature of guidance for the application of paragraph 42C, and should be retained in Tier 2 disclosure requirements based on the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>

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<p>Transferred financial assets that are not derecognised in their entirety</p> <p>B32 Paragraph 42D requires disclosures when part or all of the transferred financial assets do not qualify for derecognition. Those disclosures are required at each reporting date at which the entity continues to recognise the transferred financial assets, regardless of when the transfers occurred.</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B32 has no equivalent in the <i>IFRS for SMEs</i> but is in the nature of guidance for the application of paragraph 42D, and paragraphs 42D(a), 42D(b), 42D(e) and 42D(f) are proposed to be retained in the Tier 2 disclosure requirements. Accordingly, paragraph B32 should be retained in Tier 2 disclosure requirements based on the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>
<p>Types of continuing involvement (paragraphs 42E–42H)</p> <p>B33 Paragraphs 42E–42H require qualitative and quantitative disclosures for each type of continuing involvement in derecognised financial assets. An entity shall aggregate its continuing involvement into types that are representative of the entity’s exposure to risks. For example, an entity may aggregate its continuing involvement by type of financial instrument (eg guarantees or call options) or by type of transfer (eg factoring of receivables, securitisations and securities lending).</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B33 has no equivalent in the <i>IFRS for SMEs</i> but is in the nature of guidance for the application of paragraphs 42E(c), 42F, 42G(c)(i), 42G(c)(ii), 42G(c)(iii) and 42H, which are proposed to be retained in the Tier 2 disclosure requirements. Accordingly, paragraph B33 should be retained in Tier 2 disclosure requirements based on the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>

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<p>Maturity analysis for undiscounted cash outflows to repurchase transferred assets (paragraph 42E(e))</p> <p>B34 Paragraph 42E(e) requires an entity to disclose a maturity analysis of the undiscounted cash outflows to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the derecognised financial assets, showing the remaining contractual maturities of the entity’s continuing involvement. This analysis distinguishes cash flows that are required to be paid (eg forward contracts), cash flows that the entity may be required to pay (eg written put options) and cash flows that the entity might choose to pay (eg purchased call options).</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B34 has no equivalent in the <i>IFRS for SMEs</i> and relates to paragraph 42E(e), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, paragraph B34 should also be excluded from Tier 2 disclosure requirements for the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>
<p>B35 An entity shall use its judgement to determine an appropriate number of time bands in preparing the maturity analysis required by paragraph 42E(e). For example, an entity might determine that the following maturity time bands are appropriate:</p> <ul style="list-style-type: none"> (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 six months; (d) later than six months and not later than one year; (e) later than one year and not later than three years; (f) later than three years and not later than five years; and (g) more than five years. 	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B35 has no equivalent in the <i>IFRS for SMEs</i> and relates to paragraph 42E(e), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, paragraph B35 should also be excluded from Tier 2 disclosure requirements for the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>

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<p>B36 If there is a range of possible maturities, the cash flows are included on the basis of the earliest date on which the entity can be required or is permitted to pay.</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B36 has no equivalent in the <i>IFRS for SMEs</i> and relates to paragraph 42E(e), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, paragraph B36 should also be excluded from Tier 2 disclosure requirements for the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>
<p>Qualitative information (paragraph 42E(f))</p> <p>B37 The qualitative information required by paragraph 42E(f) includes a description of the derecognised financial assets and the nature and purpose of the continuing involvement retained after transferring those assets. It also includes a description of the risks to which an entity is exposed, including:</p> <ul style="list-style-type: none"> (a) a description of how the entity manages the risk inherent in its continuing involvement in the derecognised financial assets. (b) whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity’s interest in the asset (ie its continuing involvement in the asset). (c) a description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset. 	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B37 has no equivalent in the <i>IFRS for SMEs</i> and relates to paragraph 42E(f), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, paragraph B37 should also be excluded from Tier 2 disclosure requirements for the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>

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<p>Gain or loss on derecognition (paragraph 42G(a))</p> <p>B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity also shall disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 27A.</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B38 has no equivalent in the <i>IFRS for SMEs</i> and relates to paragraph 42G(a), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, paragraph B38 should also be excluded from Tier 2 disclosure requirements for the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>
<p>Supplementary information (paragraph 42H)</p> <p>B39 The disclosures required in paragraphs 42D–42G may not be sufficient to meet the disclosure objectives in paragraph 42B. If this is the case, the entity shall disclose whatever additional information is necessary to meet the disclosure objectives. The entity shall decide, in the light of its circumstances, how much additional information it needs to provide to satisfy the information needs of users and how much emphasis it places on different aspects of the additional information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.</p>	<p>There is no equivalent requirement in the <i>IFRS for SMEs</i>.</p>	<p>Paragraph B39 has no equivalent in the <i>IFRS for SMEs</i> but relates to paragraph 42B, which is proposed to be retained in the Tier 2 disclosure requirements. Accordingly, paragraph B39 should also be retained in the Tier 2 disclosure requirements for the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>