Applying IFRS

Amendments to classification and measurement of financial instruments

November 2024

EY

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Contents

What you need to know

- In May 2024, the IASB issued amendments to IFRS 9 classification and measurement requirements and IFRS 7 disclosures.
- The amendments clarify the existing requirements for the recognition and derecognition of financial assets and financial liabilities and they introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- The classification of financial assets with environmental, social and corporate governance (ESG) and similar features has been clarified through additional guidance on how the contractual cash flows on such loans should be assessed.
- Clarifications have been made on what constitutes 'non-recourse features' and what are the characteristics of contractually linked instruments.
- New disclosures are introduced for financial instruments with contingent features and additional disclosures are added for equity instruments classified at fair value through other comprehensive income (OCI).
- The amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

1. Introduction

1.1 Overview

On 30 May 2024, the International Accounting Standards Board (the IASB or the Board) issued *Amendments to the Classification and Measurement of Financial Instruments* which amended IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (the Amendments). The Amendments provide additional guidance and clarity on specific matters following completion of the IFRS 9 post-implementation review (PIR) for Classification and Measurement. The main amendments are discussed in summary below.

On the topic of derecognition, the IFRS Interpretations Committee (IFRS IC) identified diversity in practice for the timing of derecognition of financial assets and financial liabilities, not just those settled via an electronic transfer system, but also using other methods, including settlement by cheque, debit card and credit card. The issue was sufficiently material to require further discussion which was brought into the scope of the IFRS 9 post-implementation review. Rather than revisiting the recognition and derecognition criteria in IFRS 9, the IASB decided to clarify the existing criteria for derecognition of financial assets and financial liabilities and issued an amendment to the derecognition criteria for financial liabilities, which is discussed in section 2 below.

Another topic addressed as part of the PIR relates to the classification of financial assets with contingent features triggered, in particular, by the increasing volume of financial assets whose cash flows are linked to Environmental, Social and Governance (ESG) targets. This brought into consideration whether the characteristics of these contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (SPPI). Amendments were made to the application guidance for all financial assets whose cash flows could vary based on contingent events (i.e., not just for those linked to ESG targets), consistent with the principle-based approach of IFRS 9. These are discussed below in section 3.1.

In relation to securitisation and lending activities, participants in the PIR asked the IASB to clarify the meaning of 'non-recourse' in Appendix B to IFRS 9 with respect to financial assets secured by collateral, and to also clarify the scope of the requirements applicable to contractually linked instruments. The IASB was also asked to clarify the 'look through' requirement for both financial assets with non-recourse features and contractually linked instruments. Amendments were therefore made to the application guidance of IFRS 9 and are discussed in sections 3.2 and 3.3 below.

The PIR feedback also informed the IASB that the prohibition in IFRS 9 of reclassifying amounts accumulated in other comprehensive income to profit or loss, could prevent entities from faithfully representing the financial performance of investments in equity instruments designated at fair value through other comprehensive income (OCI). The disclosure requirements for these investments were therefore amended, as discussed in section 4.1 below. Amendments were also made to the disclosure requirements of financial assets and financial liabilities whose cash flows could change based on contingent events. These are discussed in section 4.2 below. Additional disclosure requirements for financial assets that changed measurement category were also included in the Amendments, as discussed in section 4.3 below.

The Amendments are effective for periods beginning on or after 1 January 2026 and early adoption of all the Amendments, or only those relating to the classification of financial assets and their related disclosures, is permitted.

1.2 Effective date and transition

The Amendments are effective for annual periods beginning on or after 1 January 2026, with early adoption permitted. Entities can either early adopt all of the amendments at the same time or early adopt only the amendments relating to the classification of financial assets (see section 3) and their related disclosures (see sections 4.2 and 4.3) and apply all other amendments from the effective date in 2026. Early adoption will also depend on whether the amendments have been locally endorsed.

The Amendments apply retrospectively, with an adjustment to the opening balance of financial assets and financial liabilities and the cumulative effect as an adjustment to the retained earnings opening balance. Prior periods are not required to be restated and can only be restated without the use of hindsight.

2. Date of initial recognition or derecognition of financial assets and financial liabilities

In September 2021, the IFRS IC was asked when a financial asset settled by a cash payment received via an electronic transfer system is derecognised. The discussion was extended to the derecognition of a financial liability settled by a payment made through an electronic transfer system.

Divergent practices were identified in different jurisdictions, whereby entities adjust cash balances at the reporting period end to reflect cash payments and receipts in-transit. This affects the timing of derecognition and recognition of financial assets and financial liabilities.

Respondents to the Post-Implementation Review (PIR) of IFRS 9 *Classification and measurement* asked the IASB to consider this matter. The IASB acknowledged stakeholders' concerns and decided to amend the requirements in IFRS 9.

2.1 Date of initial recognition or derecognition of financial assets and liabilities: general principles

The Amendments clarify the existing requirements of IFRS 9 that financial assets or financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. *[IFRS 9 (2026).B3.1.2A].*

It is also clarified that financial assets are derecognised when the entity's rights to the contractual cash flows expire or are transferred and that financial liabilities are derecognised when the obligations specified in the contract are discharged, cancelled or expires, or the liability otherwise qualifies for derecognition, which is the settlement date and the date on which the liability is extinguished. *[IFRS 9 (2026).B3.1.2A].*

The Amendments introduce an accounting policy choice to derecognise financial liabilities before the settlement date if certain conditions are met. This is limited to payments made using an electronic payment system (see below). *[IFRS 9 (2026).B3.3.8].*

Derecognition of a financial asset remains based on the expiry of the right to receive cash. The Basis for Conclusions of the Amendments clarifies that, in the absence of having access to the cash, a confirmation from a debtor that a payment instruction has been initiated does not lead to the expiry of the right to receive cash. It is only when the cash is received that such a right expires. *[IFRS 9 (2026).BC3.60].*

The impact of the Amendments is that, when they become effective, entities will be unable to derecognise a financial asset or financial liability, for which a payment has been received or made outside electronic payment systems, until the amount has cleared in the receiving entity's bank account. This includes payments by cheque, debit card or credit card.

How we see it

The Amendments clarify the recognition and derecognition requirements for financial assets and financial liabilities. Given that the IASB had to amend IFRS 9 to clarify the requirements in this area, in our view, an entity is not required to change its accounting policy on the timing of recognition or derecognition of a financial asset or financial liability to conform with the Amendments until they are adopted. At that point, an entity can make use of the transitional guidance in paragraph 7.2.48 of IFRS 9 (2026).

In preparation for adopting the Amendments, an entity needs to determine what derecognition date it currently applies to each of its financial assets and financial liabilities, and to what extent this conforms to the Amendments. The assessment should include all settlement methods such as cheques, debit cards and credit cards, as well as electronic transfer systems (see below). This assessment requires a thorough understanding of the various cash settlement mechanisms, including when a receivable or payable is settled via each mechanism and when the cash balance is affected.

The Amendments make it clear that adjustments to an entity's reported cash balance at the reporting date for payments and receipts that are in-transit should not be made. This may be a change for some entities, especially those in jurisdictions with a long-established practice of such adjustments.

An entity is permitted to make an accounting policy choice to derecognise a financial liability before the settlement date, if the entity uses an electronic payment system to settle the liability and certain conditions are met.

2.2 Derecognition of financial liabilities: exception for payments made using an electronic payment system

The Amendments introduce an accounting policy choice in the specific scenario of payments made using an electronic payment system for financial liabilities. They do not apply to any other means of paying financial liabilities, such as payments by cheque, debit card or credit card. An entity can derecognise a financial liability (or part of a financial liability) settled using an electronic payment system before the settlement date only if the following conditions are met: *[IFRS 9 (2026).B3.3.9]*

- The entity has no practical ability to withdraw, stop or cancel the payment instruction;
- The entity has no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- The settlement risk associated with the electronic payment system is insignificant. For this to be the case, the payment system must have both of the following characteristics: *[IFRS 9(2026).B3.3.9]*
  - Completion of the instruction follows a standard administrative process
  - There is only a short time between the entity: i) ceasing to have the practical ability to withdraw, stop or cancel the instruction and to access the cash; and ii) when the cash is delivered to the counterparty

Settlement risk would not be insignificant if completion of the payment instruction were subject to the entity's ability to deliver cash on the settlement date. *[IFRS 9 (2026).B3.3.9]*.

Entities that make the accounting policy choice to derecognise the financial liability before settlement date, must apply this treatment to all financial liabilities settled using the same electronic payment system.

How we see it

Entities will first need to gather an understanding of their current practice across all of their material electronic payments systems and consider whether to apply the accounting policy choice on the derecognition of liabilities settled through electronic payment systems. To make this assessment, they will need to understand when the conditions to apply the accounting policy choice are met, including, for example, when the entity has no "practical ability to withdraw, stop or cancel the payment instruction". This may involve analysing the contractual and legal requirements for each electronic settlement system in each jurisdiction, which may be complex, especially in case of cross-border payments. Different cut-off times may apply to different entities or types of transactions, and this will also need to be taken into consideration. The assessment should be made from the perspective of the entity, rather than the payment system.

3. Contractual cash flow characteristics

3.1 Classification of financial assets with contingent features

The IASB has made two broad amendments to the application guidance to IFRS 9 for the classification of financial assets. As mentioned above, these amendments are not specific to ESG-linked instruments given the principle-based approach of IFRS 9, including the SPPI assessment. The existing principle is that contractual cash flows that are SPPI are consistent with a basic lending arrangement.

The first amendment clarifies the assessment of whether the lender's compensation is consistent with a basic lending arrangement. The focus is on *what* the lender is compensated for rather than by *how much*. However, the amount of compensation may indicate that the lender is being compensated for something other than basic lending risks and costs. The amendment states that:

- Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost (for example, the value of equity instruments, the price of a commodity) or if they represent a share of the debtor's revenue or profit, even if such terms are common in the market.

If the contractual cash flows are inconsistent with a basic lending arrangement, no further analysis is required and the instrument will fail the SPPI requirements.

The second amendment covers how contractual terms that change the timing or amount of contractual cash flows should be assessed, considering:

- Whether the contractual cash flows that could arise both before and after the change would meet the SPPI requirements, irrespective of the probability of the contingent event occurring. The Amendments clarify that the contractual cash flow assessment is based on all contractual cash flows that could arise over the life of the financial instrument – it is not a probability-based assessment. This means an entity is required to consider the effect on contractual cash flows of any contingent event specified in the contract, however likely or unlikely the event is to occur (unless the terms are not genuine).

- Whether the nature of the contingent event relates directly to, and the contractual cash flows change in the same direction as, changes in basic lending risks and costs. The Amendments clarify that if the nature of the contingent event relates directly to, and the contractual cash flows change in the same direction as, changes in basic lending risks and costs, it is more likely that the contractual cash flows over the life of the instrument will be SPPI (for example, a financial instrument with an interest rate that is reset to a higher rate if the debtor misses a particular number of payments).

The Amendments explain that when the nature of the contingent event does not relate directly to changes in basic lending risks and costs, the SPPI requirements may still be met. This is provided that the contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change and that are not significantly different from the cash flows for an identical financial asset without such a contingent feature. Entities are required to consider all possible combinations of contingent events occurring because all these possible scenarios are contractually specified. In some circumstances, an entity may be able to make this determination with a qualitative assessment, but in other circumstances it may be necessary to perform a quantitative assessment.

How we see it

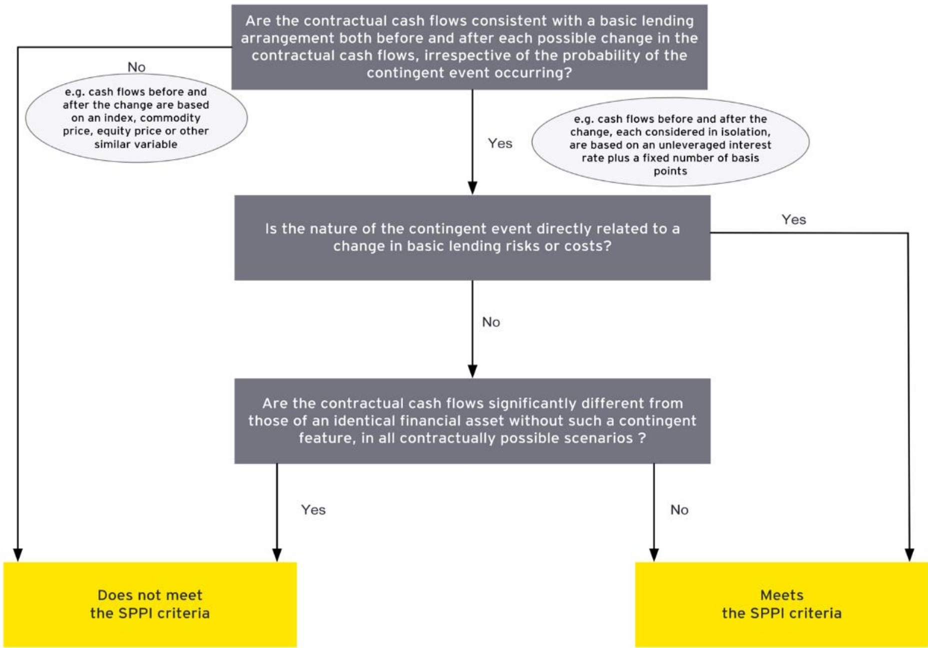
Entities will need to determine what is considered 'significantly different' in the context of the application of the requirements of paragraph B4.1.10A of IFRS 9 (2026).

When making this assessment, entities are generally expected to be consistent with the accounting policies developed to assess a 'modified time value of money' feature in accordance with paragraphs B4.1.9C and B4.1.9D of IFRS 9, which also refer to cash flows being not 'significantly different'. However, there are some differences, e.g., the Amendments refer to assessing the impact of the contingent feature in all contractually specified scenarios while B4.1.9D refers only to reasonably possible scenarios. Additionally, B4.1.9C refers to the cash flows being undiscounted and the assessment being performed both in each reporting period and cumulatively over the life of the financial instrument while the Amendments do not have specific guidance in this respect, other than referring to the fact that the assessment should be 'similar'[1]. Therefore, entities will need to exercise judgement in developing an accounting policy in this area.

The following decision tree illustrates the steps required by the Amendments for the assessment of contingent features.

[1] BC4.272 "*The IASB decided to develop a requirement similar to the assessment required if the time value of money element were modified (as specified in paragraphs B4.1.9B–B4.1.9D of IFRS 9)*".

Figure 1-1: Determining whether cash flows of a financial asset with contingent features meet the SPPI criteria



In addition to the application guidance discussed above, the Amendments also provide an example of an instrument that passes the SPPI test and an instrument that does not. The instrument that passes the SPPI test is an instrument whose interest rate is reduced by a fixed number of basis points if the debtor achieves a contractually specified reduction in its carbon emissions in the previous period. *[IFRS 9 (2026).B4.1.13]*. As the contingent event itself does not relate to changes in basic lending risks and cost, the entity needs to determine whether the cash flows would be significantly different in all contractually possible scenarios, in comparison to the cash flows of an instrument without such a contingent feature. In this example, it was stated that the maximum possible cumulative adjustments would not significantly change the interest rate on the loan, therefore, it was concluded that the instrument passes the SPPI test. The instrument that does not pass the SPPI test is an example of an instrument whose interest rate is adjusted based on movements in a carbon price index during the previous period. *[IFRS 9 (2026).B4.1.13]*. The cash flows are indexed to a variable that is not a basic lending risk or cost and is therefore inconsistent with a basic lending arrangement.

How we see it

The new criteria laid out by the IASB include additional specific guidance for instruments with contingent features, including those which are ESG-linked, and may result in different outcomes for the classification of such instruments than under the current guidance. Therefore, entities should reassess their previous conclusions when transitioning to the new requirements.

The assessment of 'significantly different' is meant to provide a lower threshold and, therefore, make it easier for instruments to pass SPPI than under the 'de minimis' guidance in paragraph B4.1.18 of IFRS 9[2], although the IASB has not introduced a specific quantitative threshold and entities will need to exercise judgement. In some circumstances, an entity may be able to make this determination with a qualitative assessment, but in other circumstances, it may be necessary to perform a quantitative assessment.

Entities will need to consider whether they wish to early adopt the Amendments for the classification of financial assets together with the related disclosure requirements described in sections 4.2 and 4.3 below, which they can do separately from the amendments to the recognition and derecognition requirements. For example, this may be the case if they expect to hold instruments that contain contingent features that fail the SPPI test under the current requirements.

3.2 Classification of financial assets with non-recourse features

An amendment is added to the application guidance of IFRS 9 to clarify the meaning of 'non-recourse', stating that a financial asset whose cash flows are contractually limited to the cash flows generated by specified assets are considered to have non-recourse features. These features result in the creditor being primarily exposed to and compensated for the performance of a specified asset rather than the debtor's credit risk. This is different from financial assets that are secured by collateral as the creditor has recourse to the debtor throughout the life of the instrument in addition to the claim on the collateral in the case of default. It is also clarified that the contractual right to require the debtor to 'top-up'[3] pledged assets gives the creditor recourse to the debtor.

Some respondents to the PIR questioned whether a financial asset only has non-recourse features if such features are explicit in the contractual terms, as opposed to being structurally implied (for example, when an entity purchases a collateralised financial asset that is credit-impaired on initial recognition). In response, the Amendments clarify that there has to be a contractual, rather than a purely economic, limitation on the creditor's rights to receive contractual cash flows. This limitation can be established through a combination of contracts, such as in the case of a loan to a structured entity.

However, the fact that a financial asset has non-recourse features does not, in itself, preclude the financial asset from passing SPPI. The Amendments clarify that the link between the cash flows of the specified underlying assets (whether financial assets or not) and the financial asset being classified should be

[2] It is noted in the IASB Staff paper 6D that an entity should be able to conclude, without a detailed quantitative analysis, whether a feature is 'de minimis'.

[3] A right to 'top-up' the pledged assets is a right to require the debtor to add new assets in the pool of pledged assets or replace them if they do not generate sufficient cash flows or their value decreases below a specified threshold.

assessed (by looking through to the underlying assets). As part of the assessment, consideration should be given to how this link is affected by other contractual arrangements, such as subordinated debt or equity instruments issued by the debtor. These junior ranking instruments may absorb potential shortfalls in the cash flows from the underlying assets such that the more senior ranking instruments may pass SPPI.

How we see it

The clarification that the non-recourse features must be contractual may impact loans that have, to date, been considered in-substance non-recourse on initial classification but are not contractually non-recourse. This could include purchased or originated credit impaired loans (e.g., mortgages that are purchased credit-impaired).

3.3 Classification of contractually linked instruments

The Amendments clarify that transactions that are contractually linked instruments (CLI) are a sub-set of transactions with non-recourse features, rather than a separate class of instrument. CLI exists if the prioritisation of payments to the holders of tranches is established through a waterfall payment structure that creates concentrations of credit risk and results in a disproportionate allocation of cash shortfalls from the pool of underlying assets between the tranches. *[IFRS 9 (2026).B4.1.20]*.

It is also clarified that the underlying pool of assets must be exclusively financial instruments for the transaction to qualify as a CLI. However, this can include financial instruments that are not within the scope of the classification requirements of IFRS 9, such as some lease receivables. Nevertheless, lease receivables must have cash flows that are equivalent to SPPI (i.e., not subject to residual value risk nor indexed to a variable that is not a basic lending risk or cost, such as a market rental rate). *[IFRS 9 (2026).B4.1.23]*. CLI structures that include non-financial assets are to be assessed under the non-recourse guidance.

The Amendments also clarify that CLIs are not created where multiple debt instruments of differing seniority are issued to facilitate lending with enhanced credit protection to a creditor (or a group of creditors). This is the case, for example, if a borrower sets up a structured entity which issues senior and junior notes and the borrower holds the junior debt instrument with no practical ability to sell it without the senior debt instrument becoming payable. In this case, the non-recourse guidance is to be applied. *[IFRS 9 (2026).B4.1.20A]*.

4. Additional disclosure requirements

4.1 Investments in equity instruments designated at FVTOCI

Amendments were made to paragraphs 11A and 11B of IFRS 7 *Financial Instruments: Disclosures* and application guidance was added to illustrate how those disclosures should be made. The Amendments require disclosure, for each class of investment, of the change in fair value during the period showing separately amounts related to investments derecognised in the period and those held at period-end. This disclosure requirement, together with the other requirements in paragraph 11B of IFRS 7, particularly those relating to the cumulative gain or loss on disposal, provide users with information about what are generally considered realised gains or losses on an equity instrument.

The Amendments also removed the requirement to disclose the fair value of each investment at the period-end as this would be onerous and does not necessarily provide useful information to the users of the financial statements. Entities are, therefore, only required to disclose the aggregate fair value for each class of investment at period-end. The considerations of paragraph 6 of IFRS 7 should be used to group financial instruments into classes.

The Amendments will also require entities to disclose any transfers of cumulative gains or losses within equity for instruments derecognised during the period. This requirement was added to mirror the existing requirement in paragraph 11A(e) of IFRS 7 to disclose any transfers of the cumulative gain or loss within equity during the period and the reason for such transfers. Entities are reminded of the existing accounting policy choice whether to transfer these cumulative gains or losses.

The following example disclosure is adapted from paragraph IG 11A and IG11B of the Implementation Guidance to IFRS 7, added by the Amendments.

Investments in equity instruments designated at FVTOCI

Background

Having met the requirements in paragraph 5.7.5 of IFRS 9 *Financial Instruments*, Entity A has elected to present subsequent changes in the fair value of its investments in equity instruments in other comprehensive income. In accordance with its accounting policies, Entity A transfers accumulated gains or losses from other comprehensive income to retained earnings only when an investment is derecognised. Entity A has a reporting year end of 31 December.

As at 1 January 20X1, Entity A's equity investments (including an investment in Entity X) had an aggregate carrying amount of CU800,000, and the cumulative changes in fair value of these investments recognised in accumulated other comprehensive income as at that date were CU200,000. There were no disposals from this portfolio before 1 January 20X1.

On 31 July 20X1, Entity A acquired a non-controlling interest in Entity Y, a non-listed entity, for CU155,000.

On 30 June 20X1, Entity A received CU1,000 of dividend income from Entity X. On 30 September 20X1 Entity A disposed of its whole investment in Entity X for CU200,000, resulting in a cumulative gain of CU50,000.

Entity A's remaining investments had an aggregate fair value of CU820,000, as at 31 December 20X1. Entity A received total dividend income of CU5,000 from these remaining investments during S2-20X1.

The total change in fair value of Entity A's equity investments during the period was CU65,000, including CU20,000 relating to its investment in Entity X.

Information provided in the notes to Entity A's financial statements	Reference
The following table shows the Company's equity investments in non-listed entities in Europe, the Middle East and Africa (EMEA). The Company holds these investments for strategic purposes on a medium- to long-term basis; the Company typically holds less than 5% interest in each entity and does not have a controlling interest in these entities. The investments are not held for trading. The Company has elected to present subsequent changes in the fair value of these investments in other comprehensive income. Accumulated gains or losses are transferred to retained earnings only when an investment is disposed of.	Paragraphs 11A(a), 11A(b) and 11B(d) of IFRS 7 and paragraphs 5.7.5 and B5.7.1 of IFRS 9
On 31 July 20X1, the Company acquired a non-controlling interest (less than a 5% equity investment) in Entity Y, a non-listed entity.	
On 30 September 20X1, the Company disposed of its investment in Entity X because holding this investment is no longer aligned with the Company's investment strategy.	Paragraph 11B(a) of IFRS 7

Investments in EMEA	Carrying amount CU'000[(a)]	Other comprehensive income CU'000[(b)]	
1 January 20X1	**800**	**200**	
Investments acquired	155	-	
Fair value gains for:			
Investments held at year end	45[1]	45	[1]Paragraph 11A(f) of IFRS 7 (2026)
Investments disposed of	20[2]	20	[2]Paragraph 11A(f) of IFRS 7 (2026)
Investments disposed of	(200)[3]	-	[3]Paragraph 11B(b) of IFRS 7
Transfers within equity following disposal	-	(50)[4]	[4]Paragraph 11B(d) of IFRS 7 (2026)
31 December 20X1	820[5]	215	[5]Paragraph 11A(c) of IFRS 7 IFRS
The Company transferred a cumulative gain of CU50,000, relating to the disposal of its investment in Entity X, from other comprehensive income to retained earnings during the year.			Paragraphs 11B(c) and 11B(d) of IFRS 7 (2026)

The Company received CU6,000 dividend income from its equity investments during the year, including CU1,000 that was received from Entity X.	Paragraph 11A(d) of IFRS 7
(a) Entity A cross-refers from this column to the note in which the information required by paragraph 93 of IFRS 13 *Fair Value Measurement* is disclosed. (b) Entity A cross-refers from this column to the statement of changes in other comprehensive income and the statement of changes in equity.	

In addition to paragraph 11A and 11B, entities should consider whether more disclosures are required to enable users to understand the effect investments in equity instruments designed at fair value through OCI have on the financial statements.

The new disclosures are required for annual reporting periods beginning on or after 1 January 2026, when the amendments to IFRS 9 are applied. Disclosures for any period presented before the initial application of the Amendments are not required.

The new disclosure requirements apply to both financial assets and financial liabilities whose cash flows could change due to a contingent event, and not only financial assets whose classification requirements have been amended.

4.2 Disclosure of terms that could change the timing or amount of contractual cash flows

Additional disclosure requirements have been introduced to help users better understand the effect of contractual terms that could change the timing or amount of contractual cash flows based on the occurrence or non-occurrence of a contingent event that does not directly relate to changes in basic lending risks and costs. Examples of such financial instruments are loans or bonds whose interest rates are linked to ESG targets or other contingent features not linked to the time value of money or credit risk of the borrower. This is in contrast to changes in cash flows due to contingent events related to changes in basic lending risks which may include, for example, penalty interest or early repayment triggers due to breaches of debt coverage ratios, missed payments or other proxies of credit risk, if the change in cash flows is commensurate to the change in credit risk of the borrower.

To enable users to assess the entity's future cash flows, qualitative and quantitative information about contingent features not directly relating to changes in basic lending risks and costs will be required. Entities are required to disclose, by class of financial asset or financial liability: *[IFRS 7 (2026).20B-20D]*

- A qualitative description of the nature of the contingent event;
- Quantitative information about the possible changes to contractual cash flows, e.g., a range of possible changes to contractual interest rates;

  And
- The gross carrying amount of financial assets and the amortised cost of financial liabilities subject to the contingent features.

The above disclosures should be provided separately for each class of financial assets measured at amortised cost and fair value through other comprehensive income and for each class of financial liabilities measured at amortised cost. The considerations of paragraph 6 of IFRS 7 should be used to group financial instruments into classes. This information is not required to be disclosed for financial instruments measured at fair value through profit or loss, as the changes in fair value are considered to provide sufficient information to enable users to assess the future cash flows of those instruments.

The disclosures above also apply to financial assets whose contingent features do not result in contractual cash flows that are significantly different from those of financial instruments without such features (and are, therefore, eligible to be measured at amortised cost or fair value through OCI accordance with paragraph B4.1.10A of IFRS 9). This is because such features may be qualitatively material or material in aggregate across a portfolio of financial instruments.

How we see it

Disclosing a range of possible changes in cash flows is only an example given in the Amendments and entities will need to exercise judgement to determine the nature and extent of the quantitative disclosures in this area, taking into account the materiality and complexity of the financial instruments and their contingent features.

The disclosures should enable users to assess the impacts of the contingent event on the entity's future cash flows. In achieving this objective, in addition to how much detail would be appropriate to disclose, entities need to consider the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate any quantitative information disclosed. This will require entities to obtain qualitative and quantitative data about the contingent features, which may require significant effort.

The new disclosures are required for annual reporting periods beginning on or after 1 January 2026, when the amendments to IFRS 9 are applied, or when the amendments to the classification of financial assets (see section 3 above) are early adopted. Disclosures for any period presented before the initial application of the Amendments are not required.

4.3 Financial assets that changed their measurement category

As explained in section 1.2, the amendments to the classification of financial assets described in section 3 above must be applied retrospectively (without requirement to restate the comparative periods).

Entities are required to disclose information about financial assets that changed their measurement category as a result of applying the Amendments. At the date of initial application of the Amendments, an entity must disclose the measurement category and carrying amount of each class of financial assets, as determined using paragraph 6 of IFRS 7, immediately before and immediately after the application of the Amendments. *[IFRS 9 (2026).7.2.49]*.

Below is one example of how this disclosure might look, in our view:

	Before change in measurement category		After change in measurement category	
	Measurement category 20X1	Carrying amount CU'000	Measurement category 20X2	Carrying amount CU'000
Instrument A[4]	Fair value through profit or loss	XXX	Amortised cost	XXX

4.4 Interim reporting

The Amendments are applicable for annual reporting periods beginning on or after 1 January 2026, with early adoption permitted, as explained in section 1.2 above.

Transitional disclosures

In the first interim reporting period of the first year of applying the amendments in sections 2 and 3 (which can be at a different time for each section, as explained earlier), an entity must disclose the accounting policies that have changed since the last annual period, together with a description of the nature and effect of the changes, in accordance with paragraph 16A(a) of IAS 34 *Interim Financial Reporting*. This disclosure is only required if the effect of the change to the accounting policies is material.

In addition, in the first interim period of the first year of applying the amendments described in section 3, the transitional disclosures discussed in section 4.3 above must be provided. Those do not need to be repeated in subsequent interim periods.

New IFRS 7 disclosures

The Amendments have introduced additional IFRS 7 disclosures, as discussed in sections 4.1 and 4.2, which are required for annual financial statements. Judgement needs to be applied to determine whether these disclosures are required in interim reporting periods, including the first interim period in which the Amendments are applied, to explain events that are significant to an understanding of the changes since the end of the last annual reporting period, in accordance with paragraph 15 of IAS 34.

[4] Assume Instrument A is a financial asset with a contingent feature that meets the SPPI criteria for the first time as a result of the Amendments.

About EY Global Corporate Reporting Services Group
A global set of accounting and sustainability disclosure standards provides the global economy with one measure to assess and compare the financial position and performance of entities, and the sustainability-related factors affecting them. For entities applying or transitioning to International Financial Reporting Standards (IFRS) — which includes IFRS Accounting Standards and IFRS Sustainability Disclosure Standards (collectively, IFRS Standards) — authoritative and timely guidance is essential to navigating IFRS Standards that continue to develop and evolve. The EY Global Corporate Reporting Services Group has helped develop international resources — people and knowledge — to support the application and interpretation of IFRS accounting and sustainability disclosure standards. In doing so, the EY Global Corporate Reporting Services Group provides deep subject matter knowledge and broad sector experience to the market, including the latest insights from the global EY network.

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