New Zealand Equivalent to International Financial Reporting Standard 7

Financial Instruments: Disclosures (NZ IFRS 7)

Issued November 2005 and incorporates amendments to 31 December 2016 other than consequential amendments resulting from early adoption of NZ IFRS 16 *Leases*

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Standard is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

NZ IFRS 7 incorporates the equivalent IFRS® Standard as issued by the International Accounting Standards Board (IASB).

Tier 1 for-profit entities that comply with NZ IFRS 7 will simultaneously be in compliance with IFRS 7 *Financial Instruments: Disclosures*.

NZ IFRS 7 includes RDR disclosure concessions and associated RDR paragraphs for entities that qualify for and elect to apply Tier 2 for-profit accounting requirements in accordance with XRB A1 *Application of the Accounting Standards Framework*. Entities that elect to report in accordance with Tier 2 accounting requirements are not required to comply with paragraphs in this Standard denoted with an asterisk (*). However, an entity is required to comply with any RDR paragraph associated with a disclosure concession that is adopted.

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New Zealand Equivalent to International Financial Reporting Standard 7 *Financial Instruments: Disclosures* (NZ IFRS 7) is set out in paragraphs 1–45 and Appendices A–C and E. NZ IFRS 7 is based on International Financial Reporting Standard 7 *Financial Instruments: Disclosures* (IFRS 7) (2005) published by the International Accounting Standards Board (IASB). All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard. Definitions of other terms are given in the Glossary. NZ IFRS 7 should be read in the context of its objective and the IASB's Basis for Conclusions on IFRS 7 and the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* (NZ *Framework*). NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Any New Zealand additional material is shown with either "NZ" or "RDR" preceding the paragraph number.

New Zealand Equivalent to International Financial Reporting Standard 7

Financial Instruments: Disclosures (NZ IFRS 7)

Objective

1 The objective of this Standard is to require entities to provide disclosures in their financial statements that enable users to evaluate:

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

2 The principles in this Standard complement the principles for recognising, measuring and presenting financial assets and financial liabilities in NZ IAS 32 *Financial Instruments: Presentation* and NZ IFRS 9 *Financial Instruments*.

Scope

NZ 2.1 This Standard applies to Tier 1 and Tier 2 for-profit entities.

NZ 2.2 A Tier 2 entity is not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*). Where an entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.

3 This Standard shall be applied by all entities to all types of financial instruments, except:

(a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 *Separate Financial Statements* or NZ IAS 28 *Investments in Associates and Joint Ventures*. However, in some cases, NZ IFRS 10, NZ IAS 27 or NZ IAS 28 require or permit an entity to account for an interest in a subsidiary, associate or joint venture using NZ IFRS 9; in those cases, entities shall apply the requirements of this Standard and, for those interests measured at fair value, the requirements of NZ IFRS 13 *Fair Value Measurement*. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in NZ IAS 32.

(b) employers' rights and obligations arising from employee benefit plans, to which NZ IAS 19 *Employee Benefits* applies.

(c) [deleted by IASB]

(d) insurance contracts as defined in NZ IFRS 4 *Insurance Contracts*. However, this Standard applies to derivatives that are embedded in insurance contracts if NZ IFRS 9 requires the entity to account for them separately. Moreover, an issuer shall apply this Standard to *financial guarantee contracts* if the issuer applies NZ IFRS 9 in recognising and measuring the contracts, but shall apply NZ IFRS 4 if the issuer elects, in accordance with paragraph 4(d) of NZ IFRS 4, to apply NZ IFRS 4 in recognising and measuring them.

(e) financial instruments, contracts and obligations under share-based payment transactions to which NZ IFRS 2 *Share-based Payment* applies, except that this Standard applies to contracts within the scope of NZ IFRS 9.

(f) instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or paragraphs16C and 16D of NZ IAS 32.

4 This Standard applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of NZ IFRS 9. Unrecognised financial instruments include some financial instruments that, although outside the scope of NZ IFRS 9, are within the scope of this Standard.

5 This Standard applies to contracts to buy or sell a non-financial item that are within the scope of NZ IFRS 9.

5A The credit risk disclosure requirements in paragraphs 35A–35N apply to those rights that NZ IFRS 15 *Revenue from Contracts with Customers* specifies are accounted for in accordance with NZ IFRS 9 for the purposes of recognising impairment gains or losses. Any reference to financial assets or financial instruments in these paragraphs shall include those rights unless otherwise specified.

Classes of financial instruments and level of disclosure

*6 When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

Significance of financial instruments for financial position and performance

7 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

Statement of financial position

Categories of financial assets and financial liabilities

8 The carrying amounts of each of the following categories, as specified in NZ IFRS 9, shall be disclosed either in the statement of financial position or in the notes:

*(a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of NZ IFRS 9 and (ii) those mandatorily measured at fair value through profit or loss in accordance with NZ IFRS 9.

(b)–(d) [deleted by IASB]

*(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of NZ IFRS 9 and (ii) those that met the definition of held for trading in NZ IFRS 9.

(f) financial assets measured at amortised cost.

(g) financial liabilities measured at amortised cost.

(h) financial assets measured at fair value through other comprehensive income, showing separately (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NZ IFRS 9; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of NZ IFRS 9.

RDR 8.1 A Tier 2 entity shall disclose, either in the statement of financial position or in the notes, the carrying amounts of (i) financial assets measured at fair value through profit or loss and (ii) financial liabilities measured at fair value through profit or loss.

RDR 8.2 A Tier 2 entity is not required to make the separate disclosure required by paragraph 8(e).

Financial assets or financial liabilities at fair value through profit or loss

*9 If the entity has designated as measured at fair value through profit or loss a financial asset (or group of financial assets) that would otherwise be measured at fair value through other comprehensive income or amortised cost, it shall disclose:

(a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the financial asset (or group of financial assets) at the end of the reporting period.

(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk (see paragraph 36(b)).

(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to *market risk*; or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.

(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

*10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of NZ IFRS 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of NZ IFRS 9), it shall disclose:

(a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of NZ IFRS 9 for guidance on determining the effects of changes in a liability's credit risk).

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

(c) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

(d) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.

*10A If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of NZ IFRS 9 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see paragraphs 5.7.7 and 5.7.8 of NZ IFRS 9), it shall disclose:

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of NZ IFRS 9 for guidance on determining the effects of changes in a liability's credit risk); and

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

*11 The entity shall also disclose:

(a) a detailed description of the methods used to comply with the requirements in paragraphs 9(c), 10(a) and 10A(a) and paragraph 5.7.7(a) of NZ IFRS 9, including an explanation of why the method is appropriate.

(b) if the entity believes that the disclosure it has given, either in the statement of financial position or in the notes, to comply with the requirements in paragraph 9(c), 10(a) or 10A(a) or paragraph 5.7.7(a) of NZ IFRS 9 does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

(c) a detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss (see paragraphs 5.7.7 and 5.7.8 of NZ IFRS 9). If an entity is required to present the effects of changes in a liability's credit risk in profit or loss (see paragraph 5.7.8 of NZ IFRS 9), the disclosure must include a detailed description of the economic relationship described in paragraph B5.7.6 of NZ IFRS 9.

Investments in equity instruments designated at fair value through other comprehensive income

*11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.7.5 of NZ IFRS 9, it shall disclose:

(a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.

(b) the reasons for using this presentation alternative.

(c) the fair value of each such investment at the end of the reporting period.

(d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.

(e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

*11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:

(a) the reasons for disposing of the investments.

(b) the fair value of the investments at the date of derecognition.

(c) the cumulative gain or loss on disposal.

Reclassification

12–12A [Deleted by IASB]

12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of NZ IFRS 9. For each such event, an entity shall disclose:

(a) the date of reclassification.

(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements.

(c) the amount reclassified into and out of each category.

*12C For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income in accordance with paragraph 4.4.1 of NZ IFRS 9:

(a) the effective interest rate determined on the date of reclassification; and

(b) the interest income or expense recognised.

12D If, since its last annual reporting date, an entity has reclassified financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income it shall disclose:

(a) the fair value of the financial assets at the end of the reporting period; and

(b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets had not been reclassified.

13 [Deleted by IASB]

Offsetting financial assets and financial liabilities

*13A The disclosures in paragraphs 13B–13E supplement the other disclosure requirements of this NZ IFRS and are required for all recognised financial instruments that are set off in accordance with paragraph 42 of NZ IAS 32. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with paragraph 42 of NZ IAS 32.

*13B An entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A.

*13C To meet the objective in paragraph 13B, an entity shall disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A:

(a) the gross amounts of those recognised financial assets and recognised financial liabilities;

(b) the amounts that are set off in accordance with the criteria in paragraph 42 of NZ IAS 32 when determining the net amounts presented in the statement of financial position;

(c) the net amounts presented in the statement of financial position;

(d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b), including:

(i) amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of NZ IAS 32; and

(ii) amounts related to financial collateral (including cash collateral); and

(e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

The information required by this paragraph shall be presented in a tabular format, separately for financial assets and financial liabilities, unless another format is more appropriate.

*13D The total amount disclosed in accordance with paragraph 13C(d) for an instrument shall be limited to the amount in paragraph 13C(c) for that instrument.

*13E An entity shall include a description in the disclosures of the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with paragraph 13C(d), including the nature of those rights.

*13F If the information required by paragraphs 13B–13E is disclosed in more than one note to the financial statements, an entity shall cross-refer between those notes.

Collateral

14 An entity shall disclose:

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 3.2.23(a) of NZ IFRS 9; and

(b) the terms and conditions relating to its pledge.

*15 When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral held;

(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and

(c) the terms and conditions associated with its use of the collateral.

Allowance account for credit losses

16 [Deleted by IASB]

16A The carrying amount of financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NZ IFRS 9 is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.

Compound financial instruments with multiple embedded derivatives

17 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of NZ IAS 32) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

Defaults and breaches

*18 For *loans payable* recognised at the end of the reporting period, an entity shall disclose:

(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;

(b) the carrying amount of the loans payable in default at the end of the reporting period; and

(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

RDR 18.1 For *loans payable* recognised at the end of the reporting period for which there is a breach of terms or default of principal, interest, sinking fund, or redemption of terms that has not been remedied by the end of the reporting period, a Tier 2 entity shall disclose the following:

(a) details of that breach or default;

(b) the carrying amount of the related loans payable at the end of the reporting period; and

(c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

*19 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

Statement of comprehensive income

Items of income, expense, gains or losses

20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:

(a) net gains or net losses on:

*(i) financial assets or financial liabilities measured at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of NZ IFRS 9, and those on financial assets or financial liabilities that are mandatorily measured at fair value through profit or loss in accordance with NZ IFRS 9 (eg financial liabilities that meet the definition of held for trading in NZ IFRS 9). For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss.

(ii)–(iv) [deleted by IASB]

(v) financial liabilities measured at amortised cost.

(vi) financial assets measured at amortised cost.

(vii) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of NZ IFRS 9.

(viii) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NZ IFRS 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

(b) total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NZ IFRS 9 (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.

*(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets and financial liabilities that are not at fair value through profit or loss; and

(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

(d) [deleted by IASB]

(e) [deleted by IASB]

RDR 20.1 A Tier 2 entity shall disclose, either in the statement of comprehensive income or in the notes, net gains or losses on financial assets or financial liabilities measured at fair value through profit or loss. For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss.

*20A An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.

Other disclosures

Accounting policies

21 In accordance with paragraph 117 of NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007), an entity discloses its significant accounting policies comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

Hedge accounting

21A An entity shall apply the disclosure requirements in paragraphs 21B–24F for those risk exposures that an entity hedges and for which it elects to apply hedge accounting. Hedge accounting disclosures shall provide information about:

(a) an entity's risk management strategy and how it is applied to manage risk;

(b) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and

(c) the effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive income and statement of changes in equity.

*21B An entity shall present the required disclosures in a single note or separate section in its financial statements. However, an entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

*21C When paragraphs 22A–24F require the entity to separate by risk category the information disclosed, the entity shall determine each risk category on the basis of the risk exposures an entity decides to hedge and for which hedge accounting is applied. An entity shall determine risk categories consistently for all hedge accounting disclosures.

21D To meet the objectives in paragraph 21A, an entity shall (except as otherwise specified below) determine how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed. However, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in this Standard and NZ IFRS 13 *Fair Value Measurement*.

The risk management strategy

22 [Deleted by IASB]

22A An entity shall explain its risk management strategy for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied. This explanation should enable users of financial statements to evaluate (for example):

(a) how each risk arises.

(b) how the entity manages each risk; this includes whether the entity hedges an item in its entirety for all risks or hedges a risk component (or components) of an item and why.

(c) the extent of risk exposures that the entity manages.

22B To meet the requirements in paragraph 22A, the information should include (but is not limited to) a description of:

(a) the hedging instruments that are used (and how they are used) to hedge risk exposures;

(b) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and

(c) how the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are.

22C When an entity designates a specific risk component as a hedged item (see paragraph 6.3.7 of NZ IFRS 9) it shall provide, in addition to the disclosures required by paragraphs 22A and 22B, qualitative or quantitative information about:

(a) how the entity determined the risk component that is designated as the hedged item (including a description of the nature of the relationship between the risk component and the item as a whole); and

(b) how the risk component relates to the item in its entirety (for example, the designated risk component historically covered on average 80 per cent of the changes in fair value of the item as a whole).

The amount, timing and uncertainty of future cash flows

23 [Deleted by IASB]

RDR 23.1 A Tier 2 entity is required to show only the total amount of cash flow hedges reclassified from equity and included in profit or loss for the period in accordance with paragraph 23(d).

*23A Unless exempted by paragraph 23C, an entity shall disclose by risk category quantitative information to allow users of its financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows of the entity.

*23B To meet the requirement in paragraph 23A, an entity shall provide a breakdown that discloses:

(a) a profile of the timing of the nominal amount of the hedging instrument; and

(b) if applicable, the average price or rate (for example strike or forward prices etc) of the hedging instrument.

23C In situations in which an entity frequently resets (ie discontinues and restarts) hedging relationships because both the hedging instrument and the hedged item frequently change (ie the entity uses a dynamic process in which both the exposure and the hedging instruments used to manage that exposure do not remain the same for long—such as in the example in paragraph B6.5.24(b) of NZ IFRS 9) the entity:

*(a) is exempt from providing the disclosures required by paragraphs 23A and 23B.

(b) shall disclose:

(i) information about what the ultimate risk management strategy is in relation to those hedging relationships;

(ii) a description of how it reflects its risk management strategy by using hedge accounting and designating those particular hedging relationships; and

(iii) an indication of how frequently the hedging relationships are discontinued and restarted as part of the entity’s process in relation to those hedging relationships.

*23D An entity shall disclose by risk category a description of the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term.

*23E If other sources of hedge ineffectiveness emerge in a hedging relationship, an entity shall disclose those sources by risk category and explain the resulting hedge ineffectiveness.

23F For cash flow hedges, an entity shall disclose a description of any forecast transaction for which hedge accounting had been used in the previous period, but which is no longer expected to occur.

The effects of hedge accounting on financial position and performance

24 [Deleted by IASB]

24A An entity shall disclose, in a tabular format, the following amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation):

(a) the carrying amount of the hedging instruments (financial assets separately from financial liabilities);

*(b) the line item in the statement of financial position that includes the hedging instrument;

(c) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and

*(d) the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.

RDR 24A.1 A Tier 2 entity is not required to make the disclosures required by paragraph 24A in a tabular format.

24B An entity shall disclose, in a tabular format, the following amounts related to hedged items separately by risk category for the types of hedges as follows:

(a) for fair value hedges:

(i) the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);

*(ii) the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);

*(iii) the line item in the statement of financial position that includes the hedged item;

(iv) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; and

*(v) the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses in accordance with paragraph 6.5.10 of NZ IFRS 9.

(b) for cash flow hedges and hedges of a net investment in a foreign operation:

(i) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period (ie for cash flow hedges the change in value used to determine the recognised hedge ineffectiveness in accordance with paragraph 6.5.11(c) of NZ IFRS 9);

*(ii) the balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges that are accounted for in accordance with paragraphs 6.5.11 and 6.5.13(a) of NZ IFRS 9; and

*(iii) the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied.

RDR 24B.1 A Tier 2 entity is not required to make the disclosures required by paragraph 24B in a tabular format.

24C An entity shall disclose, in a tabular format, the following amounts separately by risk category for the types of hedges as follows:

(a) for fair value hedges:

(i) hedge ineffectiveness—ie the difference between the hedging gains or losses of the hedging instrument and the hedged item—recognised in profit or loss (or other comprehensive income for hedges of an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income in accordance with paragraph 5.7.5 of NZ IFRS 9); and

*(ii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness.

(b) for cash flow hedges and hedges of a net investment in a foreign operation:

(i) hedging gains or losses of the reporting period that were recognised in other comprehensive income;

(ii) hedge ineffectiveness recognised in profit or loss;

*(iii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness;

(iv) the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment (see NZ IAS 1) (differentiating between amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur, and amounts that have been transferred because the hedged item has affected profit or loss);

*(v) the line item in the statement of comprehensive income that includes the reclassification adjustment (see NZ IAS 1); and

(vi) for hedges of net positions, the hedging gains or losses recognised in a separate line item in the statement of comprehensive income (see paragraph 6.6.4 of NZ IFRS 9).

RDR 24C.1 A Tier 2 entity is not required to make the disclosures required by paragraph 24C in a tabular format.

RDR 24C.2 A Tier 2 entity is required to disclose only the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment in accordance with paragraph 24C(b)(iv).

*24D When the volume of hedging relationships to which the exemption in paragraph 23C applies is unrepresentative of normal volumes during the period (ie the volume at the reporting date does not reflect the volumes during the period) an entity shall disclose that fact and the reason it believes the volumes are unrepresentative.

*24E An entity shall provide a reconciliation of each component of equity and an analysis of other comprehensive income in accordance with NZ IAS 1 that, taken together:

(a) differentiates, at a minimum, between the amounts that relate to the disclosures in paragraph 24C(b)(i) and (b)(iv) as well as the amounts accounted for in accordance with paragraph 6.5.11(d)(i) and (d)(iii) of NZ IFRS 9;

(b) differentiates between the amounts associated with the time value of options that hedge transaction related hedged items and the amounts associated with the time value of options that hedge time-period related hedged items when an entity accounts for the time value of an option in accordance with paragraph 6.5.15 of NZ IFRS 9; and

(c) differentiates between the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge transaction related hedged items, and the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge time-period related hedged items when an entity accounts for those amounts in accordance with paragraph 6.5.16 of NZ IFRS 9.

*24F An entity shall disclose the information required in paragraph 24E separately by risk category. This disaggregation by risk may be provided in the notes to the financial statements.

Option to designate a credit exposure as measured at fair value through profit or loss

24G If an entity designated a financial instrument, or a proportion of it, as measured at fair value through profit or loss because it uses a credit derivative to manage the credit risk of that financial instrument it shall disclose:

*(a) for credit derivatives that have been used to manage the credit risk of financial instruments designated as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of NZ IFRS 9, a reconciliation of each of the nominal amount and the fair value at the beginning and at the end of the period;

*(b) the gain or loss recognised in profit or loss on designation of a financial instrument, or a proportion of it, as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of NZ IFRS 9; and

(c) on discontinuation of measuring a financial instrument, or a proportion of it, at fair value through profit or loss, that financial instrument's fair value that has become the new carrying amount in accordance with paragraph 6.7.4 of NZ IFRS 9 and the related nominal or principal amount (except for providing comparative information in accordance with NZ IAS 1, an entity does not need to continue this disclosure in subsequent periods).

Fair value

*25 Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.

*26 In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the statement of financial position.

27–27B [Deleted by IASB]

*28 In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph B5.1.2A of NZ IFRS 9). In such cases, the entity shall disclose by class of financial asset or financial liability:

(a) its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.1.2A of NZ IFRS 9).

(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.

(c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.

29 Disclosures of fair value are not required:

(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;

(b) [deleted by IASB]

(c) for a contract containing a discretionary participation feature (as described in NZ IFRS 4) if the fair value of that feature cannot be measured reliably.

30 In the case described in paragraph 29(c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including:

(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;

*(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;

*(c) information about the market for the instruments;

*(d) information about whether and how the entity intends to dispose of the financial instruments; and

*(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

Nature and extent of risks arising from financial instruments

***31 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.**

*32 The disclosures required by paragraphs 33–42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, *liquidity risk* and market risk.

*32A Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

Qualitative disclosures

*33 For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise;

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

*34 For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in NZ IAS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer.

(b) the disclosures required by paragraphs 35A–42, to the extent not provided in accordance with (a).

(c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).

*35 If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

Credit risk

Scope and objectives

*35A An entity shall apply the disclosure requirements in paragraphs 35F–35N to financial instruments to which the impairment requirements in NZ IFRS 9 are applied. However:

(a) for trade receivables, contract assets and lease receivables, paragraph 35J(a) applies to those trade receivables, contract assets or lease receivables on which lifetime expected credit losses are recognised in accordance with paragraph 5.5.15 of NZ IFRS 9, if those financial assets are modified while more than 30 days past due; and

(b) paragraph 35K(b) does not apply to lease receivables.

*35B The credit risk disclosures made in accordance with paragraphs 35F–35N shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:

(a) information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses;

(b) quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and

(c) information about an entity's credit risk exposure (ie the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.

*35C An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

*35D To meet the objectives in paragraph 35B, an entity shall (except as otherwise specified) consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed.

*35E If the disclosures provided in accordance with paragraphs 35F–35N are insufficient to meet the objectives in paragraph 35B, an entity shall disclose additional information that is necessary to meet those objectives.

The credit risk management practices

*35F An entity shall explain its credit risk management practices and how they relate to the recognition and measurement of expected credit losses. To meet this objective an entity shall disclose information that enables users of financial statements to understand and evaluate:

(a) how an entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how:

   (i) financial instruments are considered to have low credit risk in accordance with paragraph 5.5.10 of NZ IFRS 9, including the classes of financial instruments to which it applies; and

   (ii) the presumption in paragraph 5.5.11 of NZ IFRS 9, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted;

(b) an entity's definitions of default, including the reasons for selecting those definitions;

(c) how the instruments were grouped if expected credit losses were measured on a collective basis;

(d) how an entity determined that financial assets are credit-impaired financial assets;

(e) an entity's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written-off but are still subject to enforcement activity; and

(f) how the requirements in paragraph 5.5.12 of NZ IFRS 9 for the modification of contractual cash flows of financial assets have been applied, including how an entity:

(i) determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses in accordance with paragraph 5.5.5 of NZ IFRS 9; and

(ii) monitors the extent to which the loss allowance on financial assets meeting the criteria in (i) is subsequently remeasured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.5.3 of NZ IFRS 9.

*35G An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in Section 5.5 of NZ IFRS 9. For this purpose an entity shall disclose:

(a) the basis of inputs and assumptions and the estimation techniques used to:

(i) measure the 12-month and lifetime expected credit losses;

(ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition; and

(iii) determine whether a financial asset is a credit-impaired financial asset.

(b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and

(c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

Quantitative and qualitative information about amounts arising from expected credit losses

*35H To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:

(a) the loss allowance measured at an amount equal to 12-month expected credit losses;

(b) the loss allowance measured at an amount equal to lifetime expected credit losses for:

(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;

(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and

(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of NZ IFRS 9.

(c) financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.

*35I To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 35H, an entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 35H(a)–(c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:

(a) changes because of financial instruments originated or acquired during the reporting period;

(b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with NZ IFRS 9;

(c) changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and

(d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.

*35J To enable users of financial statements to understand the nature and effect of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of expected credit losses, an entity shall disclose:

(a) the amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses; and

(b) the gross carrying amount at the end of the reporting period of financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.

*35K To enable users of financial statements to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses, an entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with NZ IAS 32).

(b) a narrative description of collateral held as security and other credit enhancements, including:

(i) a description of the nature and quality of the collateral held;

(ii) an explanation of any significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period; and

(iii) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.

(c) quantitative information about the collateral held as security and other credit enhancements (for example, quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.

*35L An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.

Credit risk exposure

*35M To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by *credit risk rating grades*, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:

(a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;

(b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:

(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;

(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and

(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of NZ IFRS 9.

(c) that are purchased or originated credit-impaired financial assets.

*35N For trade receivables, contract assets and lease receivables to which an entity applies paragraph 5.5.15 of NZ IFRS 9, the information provided in accordance with paragraph 35M may be based on a provision matrix (see paragraph B5.5.35 of NZ IFRS 9).

*36 For all financial instruments within the scope of this Standard, but to which the impairment requirements in NZ IFRS 9 are not applied, an entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with NZ IAS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

(b) a description of collateral held as security and of other credit enhancements, and their financial effect (eg quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).

(c) [deleted by IASB]

(d) [deleted by IASB]

37 [Deleted by IASB]

Collateral and other credit enhancements obtained

*38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose for such assets held at the reporting date:

(a) the nature and carrying amount of the assets; and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Liquidity risk

*39 An entity shall disclose:

(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.

(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).

(c) a description of how it manages the liquidity risk inherent in (a) and (b).

Market risk

Sensitivity analysis

*40 Unless an entity complies with paragraph 41, it shall disclose:

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

*41 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (eg interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Other market risk disclosures

*42 When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

Transfers of financial assets

42A The disclosure requirements in paragraphs 42B–42H relating to transfers of financial assets supplement the other disclosure requirements of this NZ 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:

(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.

42B An entity shall disclose information that enables users of its financial statements:

(a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and

*(b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

*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:

(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;

(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

(c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 3.2.5(a)–(c) of NZ IFRS 9 are met.

Transferred financial assets that are not derecognised in their entirety

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:

(a) the nature of the transferred assets.

(b) the nature of the risks and rewards of ownership to which the entity is exposed.

(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.

*(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 associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).

*(e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.

*(f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 3.2.6(c)(ii) and 3.2.16 of NZ IFRS 9), 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.

RDR 42D.1 When a Tier 2 entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 3.2.6 (c)(ii) and 3.2.16 of NZ IFRS 9), the entity is required to disclose the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities in accordance with paragraph 42D(f).

Transferred financial assets that are derecognised in their entirety

42E To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 3.2.6(a) and (c)(i) of NZ IFRS 9) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:

*(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.

*(b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets.

(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.

*(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.

*(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.

*(f) qualitative information that explains and supports the quantitative disclosures required in (a)–(e).

*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.

*42G In addition, an entity shall disclose for each type of continuing involvement:

(a) the gain or loss recognised at the date of transfer of the assets.

(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).

(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):

(i) when the greatest transfer activity took place within that reporting period (eg the last five days before the end of the reporting period),

(ii) the amount (eg related gains or losses) recognised from transfer activity in that part of the reporting period, and

(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.

Supplementary information

*42H An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 42B.

Initial application of NZ IFRS 9

42I In the reporting period that includes the date of initial application of NZ IFRS 9, the entity shall disclose the following information for each class of financial assets and financial liabilities as at the date of initial application:

(a) the original measurement category and carrying amount determined in accordance with NZ IAS 39 or in accordance with a previous version of NZ IFRS 9 (if the entity's chosen approach to applying NZ IFRS 9 involves more than one date of initial application for different requirements);

(b) the new measurement category and carrying amount determined in accordance with NZ IFRS 9;

(c) the amount of any financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that NZ IFRS 9 requires an entity to reclassify and those that an entity elects to reclassify at the date of initial application.

In accordance with paragraph 7.2.2 of NZ IFRS 9, depending on the entity's chosen approach to applying NZ IFRS 9, the transition can involve more than one date of initial application. Therefore this paragraph may result in disclosure on more than one date of initial application. An entity shall present these quantitative disclosures in a table unless another format is more appropriate.

42J In the reporting period that includes the date of initial application of NZ IFRS 9, an entity shall disclose qualitative information to enable users to understand:

(a) how it applied the classification requirements in NZ IFRS 9 to those financial assets whose classification has changed as a result of applying NZ IFRS 9.

(b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss at the date of initial application.

In accordance with paragraph 7.2.2 of NZ IFRS 9, depending on the entity's chosen approach to applying NZ IFRS 9, the transition can involve more than one date of initial application. Therefore this paragraph may result in disclosure on more than one date of initial application.

42K In the reporting period that an entity first applies the classification and measurement requirements for financial assets in NZ IFRS 9 (ie when the entity transitions from NZ IAS 39 to NZ IFRS 9 for financial assets), it shall present the disclosures set out in paragraphs 42L–42O of this Standard as required by paragraph 7.2.15 of NZ IFRS 9.

42L When required by paragraph 42K, an entity shall disclose the changes in the classifications of financial assets and financial liabilities as at the date of initial application of NZ IFRS 9, showing separately:

(a) the changes in the carrying amounts on the basis of their measurement categories in accordance with NZ IAS 39 (ie not resulting from a change in measurement attribute on transition to NZ IFRS 9); and

(b) the changes in the carrying amounts arising from a change in measurement attribute on transition to NZ IFRS 9.

The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in NZ IFRS 9.

42M When required by paragraph 42K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost and, in the case of financial assets, that have been reclassified out of fair value through profit or loss so that they are measured at fair value through other comprehensive income, as a result of the transition to NZ IFRS 9:

(a) the fair value of the financial assets or financial liabilities at the end of the reporting period; and

(b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets or financial liabilities had not been reclassified.

The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in NZ IFRS 9.

42N When required by paragraph 42K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified out of the fair value through profit or loss category as a result of the transition to NZ IFRS 9:

(a) the effective interest rate determined on the date of initial application; and

(b) the interest revenue or expense recognised.

If an entity treats the fair value of a financial asset or a financial liability as the new gross carrying amount at the date of initial application (see paragraph 7.2.11 of NZ IFRS 9), the disclosures in this paragraph shall be made for each reporting period until derecognition. Otherwise, the disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in NZ IFRS 9.

42O When an entity presents the disclosures set out in paragraphs 42K–42N, those disclosures, and the disclosures in paragraph 25 of this Standard, must permit reconciliation between:

(a) the measurement categories presented in accordance with NZ IAS 39 and NZ IFRS 9; and

(b) the class of financial instrument

as at the date of initial application.

42P On the date of initial application of Section 5.5 of NZ IFRS 9, an entity is required to disclose information that would permit the reconciliation of the ending impairment allowances in accordance with NZ IAS 39 and the provisions in accordance with NZ IAS 37 to the opening loss allowances determined in accordance with NZ IFRS 9. For financial assets, this disclosure shall be provided by the related financial assets' measurement categories in accordance with NZ IAS 39 and NZ IFRS 9, and shall show separately the effect of the changes in the measurement category on the loss allowance at that date.

42Q In the reporting period that includes the date of initial application of NZ IFRS 9, an entity is not required to disclose the line item amounts that would have been reported in accordance with the classification and measurement requirements (which includes the requirements related to amortised cost measurement of financial assets and impairment in Sections 5.4 and 5.5 of NZ IFRS 9) of:

(a) NZ IFRS 9 for prior periods; and

(b) NZ IAS 39 for the current period.

42R In accordance with paragraph 7.2.4 of NZ IFRS 9, if it is impracticable (as defined in NZ IAS 8) at the date of initial application of NZ IFRS 9 for an entity to assess a modified time value of money element in accordance with paragraphs B4.1.9B–B4.1.9D of NZ IFRS 9 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of NZ IFRS 9. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of NZ IFRS 9 until those financial assets are derecognised.

42S In accordance with paragraph 7.2.5 of NZ IFRS 9, if it is impracticable (as defined in NZ IAS 8) at the date of initial application for an entity to assess whether the fair value of a prepayment feature was insignificant in accordance with paragraphs B4.1.12(c) of NZ IFRS 9 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12 of NZ IFRS 9. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12 of NZ IFRS 9 until those financial assets are derecognised.

Effective date and transition

43 This Standard becomes operative for an entity's financial statements that cover annual periods beginning on or after 1 January 2007. Early adoption of this Standard is permitted only when an entity complies, or has complied, with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005.

44 If an entity applies this Standard for annual periods beginning before 1 January 2006, it need not present comparative information for the disclosures required by paragraphs 31-42 about the nature and extent of risks arising from financial instruments.

44A NZ IAS 1 (as revised in 2007) amended the terminology used throughout New Zealand equivalents to IFRSs. In addition, it amended paragraphs 20, 21, 23(c) and (d), 27(c) and B5 of Appendix B. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies NZ IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

44B NZ IFRS 3 (as revised in 2008) deleted paragraph 3(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies NZ IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of NZ IFRS 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A–65E of NZ IFRS 3 (as amended in 2010).

44C An entity shall apply the amendment in paragraph 3 for annual periods beginning on or after 1 January 2009. If an entity applies *Puttable Financial Instruments and Obligations Arising on Liquidation* (revised Amendments to NZ IAS 32 and NZ IAS 1), issued in February 2008, for an earlier period, the amendment in paragraph 3 shall be applied for that earlier period.

44D Paragraph 3(a) was amended by *Improvements to NZ IFRSs* issued in June 2008. An entity shall apply that amendment for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 1 of NZ IAS 28, paragraph 1 of NZ IAS 31 and paragraph 4 of NZ IAS 32 issued in June 2008. An entity is permitted to apply the amendment prospectively.

44E [Deleted by IASB]

44F [Deleted by IASB]

44G *Improving Disclosures about Financial Instruments* (Amendments to NZ IFRS 7), issued in March 2009, amended paragraphs 27, 39 and B11 and added paragraphs 27A, 27B, B10A and B11A–B11F. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. An entity need not provide the disclosures required by the amendments for:

(a) any annual or interim period, including any statement of financial position, presented within an annual comparative period ending before 31 December 2009, or

(b) any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009.

Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.[1]

44H–44J [Deleted by IASB]

44K Paragraph 44B was amended by *Improvements to NZ IFRSs* issued in July 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

44L *Improvements to NZ IFRSs* issued in July 2010 added paragraph 32A and amended paragraphs 34 and 36–38. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

44M *Disclosures—Transfers of Financial Assets* (Amendments to NZ IFRS 7), issued in November 2010, deleted paragraph 13 and added paragraphs 42A–42H and B29–B39. An entity shall apply those amendments for annual periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies the amendments from an earlier date, it shall disclose that fact. An entity need not provide the disclosures required by those amendments for any period presented that begins before the date of initial application of the amendments.

44N [Deleted by IASB]

44O NZ IFRS 10 and NZ IFRS 11 *Joint Arrangements*, issued in June 2011, amended paragraph 3. An entity shall apply that amendment when it applies NZ IFRS 10 and NZ IFRS 11.

44P NZ IFRS 13, issued in June 2011, amended paragraphs 3, 28 and 29 and Appendix A and deleted paragraphs 27–27B. An entity shall apply those amendments when it applies NZ IFRS 13.

44Q *Presentation of Items of Other Comprehensive Income* (Amendments to NZ IAS 1), issued in August 2011, amended paragraph 27B and the heading preceding the heading above paragraph E7 and added paragraph NZ 3.1. An entity shall apply those amendments when it applies NZ IAS 1 as amended in August 2011.

44R *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to NZ IFRS 7), issued in February 2012, added paragraphs 13A–13F and B40–B53. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013. An entity shall provide the disclosures required by those amendments retrospectively.

NZ 44R.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting concessions, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the disclosure concessions for annual periods beginning on or after 1 December 2012. Early application is permitted.

44S–44W [Deleted by IASB]

44X *Investment Entities* (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27), issued in December 2012, amended paragraph 3. An entity shall apply that amendment for annual periods beginning on or after 1 January

[1] Paragraph 44G was amended as a consequence of *Limited Exemption from Comparative NZ IFRS 7 Disclosures for First-time Adopters* (Amendment to NZ IFRS 1) issued in March 2010. The Board amended paragraph 44G to clarify its conclusions and intended transition for *Improving Disclosures about Financial Instruments* (Amendments to NZ IFRS 7).

2014. Earlier application of *Investment Entities* is permitted. If an entity applies that amendment earlier it shall also apply all amendments included in *Investment Entities* at the same time.

44Y [Deleted by IASB]

NZ 44Y.1 *RDR Hedge Accounting*, issued in June 2014, inserted an asterisk next to paragraphs 21B–21C, 23A–23B, 23C(a), 23D–23E, 24A(b), 24A(d), 24B(a)(ii)–(iii), 24B(a)(v), 24B(b)(ii)–(iii), 24C(a)(ii), 24C(b)(iii), 24C(b)(v), 24D–24F and 24G(a)–(b) and inserted new paragraphs RDR 24A.1, RDR 24B.1, RDR 24C.1 and RDR 24C.2. A Tier 2 entity may apply those amendments when it applies NZ IFRS 9 as amended in December 2013.

44Z NZ IFRS 9, as issued in September 2014, amended paragraphs 2–5, 8–11, 14, 20, 28–30, 36, 42C–42E, Appendix A and paragraphs B1, B5, B9, B10, B22 and B27, deleted paragraphs 12, 12A, 16, 22–24, 37, 44E, 44F, 44H–44J, 44N, 44S–44W, 44Y, B4 and Appendix D and added paragraphs 5A, 10A, 11A, 11B, 12B–12D, 16A, 20A, 21A–21D, 22A–22C, 23A–23F, 24A–24G, 35A–35N, 42I–42S, 44ZA and B8A–B8J. An entity shall apply those amendments when it applies NZ IFRS 9. Those amendments need not be applied to comparative information provided for periods before the date of initial application of NZ IFRS 9.

44ZA In accordance with paragraph 7.1.2 of NZ IFRS 9, for annual reporting periods prior to 1 January 2018, an entity may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7–5.7.9, 7.2.14 and B5.7.5–B5.7.20 of NZ IFRS 9 without applying the other requirements in NZ IFRS 9. If an entity elects to apply only those paragraphs of NZ IFRS 9, it shall disclose that fact and provide on an ongoing basis the related disclosures set out in paragraphs 10–11 of this NZ IFRS (as amended by NZ IFRS 9 (2010)).

44AA *Annual Improvements to NZ IFRSs 2012–2014 Cycle*, issued in November 2014, amended paragraphs 44R and B30 and added paragraph B30A. An entity shall apply those amendments retrospectively in accordance with NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2016, except that an entity need not apply the amendments to paragraphs B30 and B30A for any period presented that begins before the annual period for which the entity first applies those amendments. Earlier application of the amendments to paragraphs 44R, B30 and B30A is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

44BB *Disclosure Initiative* (Amendments to NZ IAS 1), issued in February 2015, amended paragraphs 21 and B5. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application of those amendments is permitted.

NZ 44BB.1 *Amendments to For-profit Accounting Standards as a Consequence of XRB A1 and Other Amendments*, issued in December 2015, amended terminology for consistency with terminology used in XRB A1. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

NZ 44CC.1 *RDR Expected Credit Losses* (Amendments to NZ IFRS 7), issued in November 2016, amended paragraphs 35A–35N and paragraphs B8A–B8J. A Tier 2 entity shall apply those amendments when it applies NZ IFRS 9.

NBDTs

NZ 44.3 *Amendments to NZ IFRS 7—Appendix E*, issued in March 2011, replaced the term ‘financial institution(s)’ with the term ‘deposit taker(s)’, deleted paragraphs NZ 44.1 and NZ 45.1.amended Appendix C, inserted a definition of ‘deposit taker’ in Appendix E and deleted the definition of ‘financial institution’ in Appendix E. An entity shall apply those amendments for annual periods beginning on or after 1 April 2011. Earlier application is permitted.

NZ 44.4 *2014 Omnibus Amendments to NZ IFRSs*, issued in December 2014, replaced the term ‘deposit taker(s)’ with the term ‘NBDT(s)’ in the heading above paragraph NZ 44.3, deleted the definition of ‘deposit taker’ in Appendix E, inserted a definition of ‘NBDT’ in Appendix E, replaced the term ‘deposit taker(s)’ with the term ‘NBDT(s)’ in paragraphs E1, E2, E3, E4, E7, E8, E9, E10, E11, E12, E14, E16, E17, E18, E19, E20 and E21 and replaced the term ‘financial institution’ with ‘NBDT’ in paragraph E22. An entity shall apply those amendments for annual periods beginning on or after 1 April 2015. Earlier application is permitted.

Withdrawal of NZ IAS 30

45 This Standard supersedes NZ IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*.

Appendix A
Defined terms

This Appendix is an integral part of the Standard.

credit risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
credit risk rating grades	Rating of credit risk based on the risk of a default occurring on the financial instrument.
currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
loans payable	Loans payable are financial liabilities, other than short-term trade payables on normal credit terms.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: **currency risk, interest rate risk** and **other price risk**.
other price risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from **interest rate risk** or **currency risk**), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The following terms are defined in paragraph 11 of NZ IAS 32, paragraph 9 of NZ IAS 39, Appendix A of NZ IFRS 9 or Appendix A of NZ IFRS 13 and are used in this Standard with the meaning specified in NZ IAS 32, NZ IAS 39, NZ IFRS 9 and NZ IFRS 13.

- amortised cost of a financial asset or financial liability
- contract asset
- credit-impaired financial assets
- derecognition
- derivative
- dividends
- effective interest method
- equity instrument
- expected credit losses
- fair value
- financial asset
- financial guarantee contract
- financial instrument
- financial liability
- financial liability at fair value through profit or loss
- forecast transaction
- gross carrying amount of a financial asset
- hedging instrument
- held for trading
- impairment gains or losses

- loss allowance
- past due
- purchased or originated credit-impaired financial assets
- reclassification date
- regular way purchase or sale.

Appendix B
Application guidance

This appendix is an integral part of the Standard.

Classes of financial instruments and level of disclosure (paragraph 6)

*B1 Paragraph 6 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 6 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in NZ IFRS 9 (which determine how financial instruments are measured and where changes in fair value are recognised).

*B2 In determining classes of financial instrument, an entity shall, at a minimum:

(a) distinguish instruments measured at amortised cost from those measured at fair value.

(b) treat as a separate class or classes those financial instruments outside the scope of this Standard.

*B3 An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this Standard, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.

B4 [Deleted by IASB]

Other disclosure – accounting policies (paragraph 21)

B5 Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

(a) for financial liabilities designated as at fair value through profit or loss:

(i) the nature of the financial liabilities the entity has designated as at fair value through profit or loss;

(ii) the criteria for so designating such financial liabilities on initial recognition; and

(iii) how the entity has satisfied the conditions in paragraph 4.2.2 of NZ IFRS 9 for such designation.

(aa) for financial assets designated as measured at fair value through profit or loss:

(i) the nature of the financial assets the entity has designated as measured at fair value through profit or loss; and

(ii) how the entity has satisfied the criteria in paragraph 4.1.5 of NZ IFRS 9 for such designation.

(b) [deleted by IASB]

(c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 3.1.2 of NZ IFRS 9).

(d) [deleted by IASB]

(e) how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income.

(f) [deleted by IASB]

(g) [deleted by IASB]

Paragraph 122 of NZ IAS 1 (as revised in 2007) also requires entities to disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Nature and extent of risks arising from financial instruments (paragraphs 31–42)

B6 The disclosures required by paragraphs 31–42 shall be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

Quantitative disclosures (paragraph 34)

*B7 Paragraph 34(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and reliable information. NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* discusses relevance and reliability.

*B8 Paragraph 34(c) requires disclosures about concentrations of risk. Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:

(a) a description of how management determines concentrations;

(b) a description of the shared characteristic that identifies each concentration (eg counterparty, geographical area, currency or market); and

(c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

Credit risk management practices (paragraphs 35F–35G)

*B8A Paragraph 35F(b) requires the disclosure of information about how an entity has defined default for different financial instruments and the reasons for selecting those definitions. In accordance with paragraph 5.5.9 of NZ IFRS 9, the determination of whether lifetime expected credit losses should be recognised is based on the increase in the risk of a default occurring since initial recognition. Information about an entity's definitions of default that will assist users of financial statements in understanding how an entity has applied the expected credit loss requirements in NZ IFRS 9 may include:

(a) the qualitative and quantitative factors considered in defining default;

(b) whether different definitions have been applied to different types of financial instruments; and

(c) assumptions about the cure rate (ie the number of financial assets that return to a performing status) after a default occurred on the financial asset.

*B8B To assist users of financial statements in evaluating an entity's restructuring and modification policies, paragraph 35F(f)(ii) requires the disclosure of information about how an entity monitors the extent to which the loss allowance on financial assets previously disclosed in accordance with paragraph 35F(f)(i) are subsequently measured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.5.3 of NZ IFRS 9. Quantitative information that will assist users in understanding the subsequent increase in credit risk of modified financial assets may include information about modified financial assets meeting the criteria in paragraph 35F(f)(i) for which the loss allowance has reverted to being measured at an amount equal to lifetime expected credit losses (ie a deterioration rate).

*B8C Paragraph 35G(a) requires the disclosure of information about the basis of inputs and assumptions and the estimation techniques used to apply the impairment requirements in NZ IFRS 9. An entity's assumptions and inputs used to measure expected credit losses or determine the extent of increases in credit risk since initial recognition may include information obtained from internal historical information or rating reports and assumptions about the expected life of financial instruments and the timing of the sale of collateral.

Changes in the loss allowance (paragraph 35H)

*B8D In accordance with paragraph 35H, an entity is required to explain the reasons for the changes in the loss allowance during the period. In addition to the reconciliation from the opening balance to the closing balance of the loss allowance, it may be necessary to provide a narrative explanation of the changes. This narrative explanation may include an analysis of the reasons for changes in the loss allowance during the period, including:

(a) the portfolio composition;

(b) the volume of financial instruments purchased or originated; and

(c) the severity of the expected credit losses

*B8E For loan commitments and financial guarantee contracts the loss allowance is recognised as a provision. An entity should disclose information about the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (ie financial asset) and an undrawn commitment (ie loan commitment) component and the entity cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment should be recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision.

Collateral (paragraph 35K)

*B8F Paragraph 35K requires the disclosure of information that will enable users of financial statements to understand the effect of collateral and other credit enhancements on the amount of expected credit losses. An entity is neither required to disclose information about the fair value of collateral and other credit enhancements nor is it required to quantify the exact value of the collateral that was included in the calculation of expected credit losses (ie the loss given default).

*B8G A narrative description of collateral and its effect on amounts of expected credit losses might include information about:

(a) the main types of collateral held as security and other credit enhancements (examples of the latter being guarantees, credit derivatives and netting agreements that do not qualify for offset in accordance with NZ IAS 32);

(b) the volume of collateral held and other credit enhancements and its significance in terms of the loss allowance;

(c) the policies and processes for valuing and managing collateral and other credit enhancements;

(d) the main types of counterparties to collateral and other credit enhancements and their creditworthiness; and

(e) information about risk concentrations within the collateral and other credit enhancements.

Credit risk exposure (paragraphs 35M–35N)

*B8H Paragraph 35M requires the disclosure of information about an entity's credit risk exposure and significant concentrations of credit risk at the reporting date. A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. An entity should provide information that enables users of financial statements to understand whether there are groups or portfolios of financial instruments with particular features that could affect a large portion of that group of financial instruments such as concentration to particular risks. This could include, for example, loan-to-value groupings, geographical, industry or issuer-type concentrations.

*B8I The number of credit risk rating grades used to disclose the information in accordance with paragraph 35M shall be consistent with the number that the entity reports to key management personnel for credit risk management purposes. If past due information is the only borrower-specific information available and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 5.5.10 of NZ IFRS 9, an entity shall provide an analysis by past due status for those financial assets.

*B8J When an entity has measured expected credit losses on a collective basis, the entity may not be able to allocate the gross carrying amount of individual financial assets or the exposure to credit risk on loan commitments and financial guarantee contracts to the credit risk rating grades for which lifetime expected credit losses are recognised. In that case, an entity should apply the requirement in paragraph 35M to those financial instruments that can be directly allocated to a credit risk rating grade and disclose separately the gross carrying amount of financial instruments for which lifetime expected credit losses have been measured on a collective basis.

Maximum credit risk exposure (paragraph 36(a))

*B9 Paragraphs 35K(a) and 36(a) require disclosure of the amount that best represents the entity's maximum exposure to credit risk. For a financial asset, this is typically the gross carrying amount, net of:

(a) any amounts offset in accordance with NZ IAS 32; and

(b) any loss allowance recognised in accordance with NZ IFRS 9.

*B10 Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:

(a) granting loans to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.

(b) entering into derivative contracts, eg foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to credit risk at the end of the reporting period will equal the carrying amount.

(c) granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability.

(d) making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability.

Quantitative liquidity risk disclosures (paragraphs 34(a) and 39(a) and (b))

*B10A In accordance with paragraph 34(a) an entity discloses summary quantitative data about its exposure to liquidity risk on the basis of the information provided internally to key management personnel. An entity shall explain how those data are determined. If the outflows of cash (or another financial asset) included in those data could either:

(a) occur significantly earlier than indicated in the data, or

(b) be for significantly different amounts from those indicated in the data (eg for a derivative that is included in the data on a net settlement basis but for which the counterparty has the option to require gross settlement),

the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk unless that information is included in the contractual maturity analyses required by paragraph 39(a) or (b).

*B11 In preparing the maturity analyses required by paragraph 39(a) and (b), an entity uses its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate:

(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 one year; and

(d) later than one year and not later than five years.

*B11A In complying with paragraph 39(a) and (b), an entity shall not separate an embedded derivative from a hybrid (combined) financial instrument. For such an instrument, an entity shall apply paragraph 39(a).

*B11B Paragraph 39(b) requires an entity to disclose a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an understanding of the timing of the cash flows. For example, this would be the case for:

(a) an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability.

(b) all loan commitments.

*B11C Paragraph 39(a) and (b) requires an entity to disclose maturity analyses for financial liabilities that show the remaining contractual maturities for some financial liabilities. In this disclosure:

(a) when a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest period in which the entity can be required to pay. For example, financial liabilities that an entity can be required to repay on demand (eg demand deposits) are included in the earliest time band.

(b) when an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

(c) for issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

*B11D The contractual amounts disclosed in the maturity analyses as required by paragraph 39(a) and (b) are the contractual undiscounted cash flows, for example:

(a) gross finance lease obligations (before deducting finance charges);

(b) prices specified in forward agreements to purchase financial assets for cash;

(c) net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;

(d) contractual amounts to be exchanged in a derivative financial instrument (eg a currency swap) for which gross cash flows are exchanged; and

(e) gross loan commitments.

Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

*B11E Paragraph 39(c) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required in paragraph 39(a) and (b). An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (eg financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

*B11F Other factors that an entity might consider in providing the disclosure required in paragraph 39(c) include, but are not limited to, whether the entity:

(a) has committed borrowing facilities (eg commercial paper facilities) or other lines of credit (eg stand-by credit facilities) that it can access to meet liquidity needs;

(b) holds deposits at central banks to meet liquidity needs;

(c) has very diverse funding sources;

(d) has significant concentrations of liquidity risk in either its assets or its funding sources;

(e) has internal control processes and contingency plans for managing liquidity risk;

(f) has instruments that include accelerated repayment terms (eg on the downgrade of the entity's credit rating);

(g) has instruments that could require the posting of collateral (eg margin calls for derivatives);

(h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; or

(i) has instruments that are subject to master netting agreements.

B12–B16 [Deleted by IASB]

Market risk – sensitivity analysis (paragraphs 40 and 41)

*B17 Paragraph 40(a) requires a sensitivity analysis for each type of market risk to which the entity is exposed. In accordance with paragraph B3, an entity decides how it aggregates information to display the overall picture without combining information with different characteristics about exposures to risks from significantly different economic environments. For example:

(a) an entity that trades financial instruments might disclose this information separately for financial instruments held for trading and those not held for trading.

(b) an entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas of very low inflation.

If an entity has exposure to only one type of market risk in only one economic environment, it would not show disaggregated information.

*B18 Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (eg prevailing market interest rates, currency rates, equity prices or commodity prices). For this purpose:

(a) entities are not required to determine what the profit or loss for the period would have been if relevant risk variables had been different. Instead, entities disclose the effect on profit or loss and equity at the end of the reporting period assuming that a reasonably possible change in the relevant risk variable had occurred at the end of the reporting period and had been applied to the risk exposures in existence at that date. For example, if an entity has a floating rate liability at the end of the year, the entity would disclose the effect on profit or loss (ie interest expense) for the current year if interest rates had varied by reasonably possible amounts.

(b) entities are not required to disclose the effect on profit or loss and equity for each change within a range of reasonably possible changes of the relevant risk variable. Disclosure of the effects of the changes at the limits of the reasonably possible range would be sufficient.

*B19 In determining what a reasonably possible change in the relevant risk variable is, an entity should consider:

(a) the economic environments in which it operates. A reasonably possible change should not include remote or 'worst case' scenarios or 'stress tests'. Moreover, if the rate of change in the underlying risk variable is stable, the entity need not alter the chosen reasonably possible change in the risk variable. For example, assume that interest rates are 5 per cent and an entity determines that a fluctuation in interest rates of ±50 basis points is reasonably possible. It would disclose the effect on profit or loss and equity if interest rates were to change to 4.5 per cent or 5.5 per cent. In the next period, interest rates have increased to 5.5 per cent. The entity continues to believe that interest rates may fluctuate by ±50 basis points (ie that the rate of change in interest rates is stable). The entity would disclose the effect on profit or loss and equity if interest rates were to change to 5 per cent or 6 per cent. The entity would not be required to revise its assessment that interest rates might reasonably fluctuate by ±50 basis points, unless there is evidence that interest rates have become significantly more volatile.

(b) the time frame over which it is making the assessment. The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.

*B20 Paragraph 41 permits an entity to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, if it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. Such an entity might comply with paragraph 41(a) by disclosing the type of value-at-risk model used (eg whether the model relies on Monte Carlo simulations), an explanation about how the model works and the main assumptions (eg the holding period and confidence level). Entities might also disclose the historical observation period and weightings applied to observations within that period, an explanation of how options are dealt with in the calculations, and which volatilities and correlations (or, alternatively, Monte Carlo probability distribution simulations) are used.

*B21 An entity shall provide sensitivity analyses for the whole of its business, but may provide different types of sensitivity analysis for different classes of financial instruments.

Interest rate risk

*B22 *Interest rate risk* arises on interest-bearing financial instruments recognised in the statement of financial position (eg debt instruments acquired or issued) and on some financial instruments not recognised in the statement of financial position (eg some loan commitments).

Currency risk

*B23 *Currency risk* (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this Standard, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

*B24 A sensitivity analysis is disclosed for each currency to which an entity has significant exposure.

Other price risk

*B25 Other price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. To comply with paragraph 40, an entity might disclose the effect of a decrease in a specified stock market index, commodity price, or other risk variable. For example, if an entity gives residual value guarantees that are financial instruments, the entity discloses an increase or decrease in the value of the assets to which the guarantee applies.

*B26 Two examples of financial instruments that give rise to equity price risk are (a) a holding of equities in another entity and (b) an investment in a trust that in turn holds investments in equity instruments. Other examples include forward contracts and options to buy or sell specified quantities of an equity instrument and swaps that are indexed to equity prices. The fair values of such financial instruments are affected by changes in the market price of the underlying equity instruments.

*B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, for example, from instruments measured at fair value through profit or loss) is disclosed separately from the sensitivity of other comprehensive income (that arises, for example, from investments in equity instruments whose changes in fair value are presented in other comprehensive income).

*B28 Financial instruments that an entity classifies as equity instruments are not remeasured. Neither profit or loss nor equity will be affected by the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.

Derecognition (paragraphs 42C–42H)

Continuing involvement (paragraph 42C)

*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 separate or individual 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).

B30 An entity does not have a continuing involvement in a transferred financial asset if, as part of the transfer, it neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. An entity does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The term 'payment' in this context does not include cash flows of the transferred financial asset that an entity collects and is required to remit to the transferee.

B30A When an entity transfers a financial asset, the entity may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. The entity assesses the servicing contract in accordance with the guidance in paragraphs 42C and B30 to decide whether the entity has continuing involvement as a result of the servicing contract for the purposes of the disclosure requirements. For example, a servicer will have continuing involvement in the transferred financial asset for the purposes of the disclosure requirements if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset. Similarly, a servicer has continuing involvement for the purposes of the disclosure requirements if a fixed fee would not be paid in full because of non-performance of the transferred financial asset. In these examples, the servicer has an interest in the future performance of the transferred financial asset. This assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.

B31 Continuing involvement in a transferred financial asset may result from contractual provisions in the transfer agreement or in a separate agreement with the transferee or a third party entered into in connection with the transfer.

Transferred financial assets that are not derecognised in their entirety (paragraph 42D)

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.

Types of continuing involvement (paragraphs 42E–42H)

*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).

Maturity analysis for undiscounted cash outflows to repurchase transferred assets (paragraph 42E(e))

*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).

*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:

(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.

*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.

Qualitative information (paragraph 42E(f))

*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:

(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.

Gain or loss on derecognition (paragraph 42G(a))

*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 shall also disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 27A.

Supplementary information (paragraph 42H)

*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.

Offsetting financial assets and financial liabilities (paragraphs 13A–13F)

Scope (paragraph 13A)

*B40 The disclosures in paragraphs 13B–13E are required for all recognised financial instruments that are set off in accordance with paragraph 42 of NZ IAS 32. In addition, financial instruments are within the scope of the disclosure requirements in paragraphs 13B–13E if they are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with paragraph 42 of NZ IAS 32.

*B41 The similar agreements referred to in paragraphs 13A and B40 include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral. The similar financial instruments and transactions referred to in paragraph B40 include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities borrowing, and securities lending agreements. Examples of financial instruments that are not within the scope of paragraph 13A are loans and customer deposits at the same institution (unless they are set off in the statement of financial position), and financial instruments that are subject only to a collateral agreement.

Disclosure of quantitative information for recognised financial assets and recognised financial liabilities within the scope of paragraph 13A (paragraph 13C)

*B42 Financial instruments disclosed in accordance with paragraph 13C may be subject to different measurement requirements (for example, a payable related to a repurchase agreement may be measured at amortised cost, while a derivative will be measured at fair value). An entity shall include instruments at their recognised amounts and describe any resulting measurement differences in the related disclosures.

Disclosure of the gross amounts of recognised financial assets and recognised financial liabilities within the scope of paragraph 13A (paragraph 13C(a))

*B43 The amounts required by paragraph 13C(a) relate to recognised financial instruments that are set off in accordance with paragraph 42 of NZ IAS 32. The amounts required by paragraph 13C(a) also relate to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement irrespective of whether they meet the offsetting criteria. However, the disclosures required by paragraph 13C(a) do not relate to any amounts recognised as a result of collateral agreements that do not meet the offsetting criteria in paragraph 42 of NZ IAS 32. Instead, such amounts are required to be disclosed in accordance with paragraph 13C(d).

Disclosure of the amounts that are set off in accordance with the criteria in paragraph 42 of NZ IAS 32 (paragraph 13C(b))

*B44 Paragraph 13C(b) requires that entities disclose the amounts set off in accordance with paragraph 42 of NZ IAS 32 when determining the net amounts presented in the statement of financial position. The amounts of both the recognised financial assets and the recognised financial liabilities that are subject to set-off under the same arrangement will be disclosed in both the financial asset and financial liability disclosures. However, the amounts disclosed (in, for example, a table) are limited to the amounts that are subject to set-off. For example, an entity may have a recognised derivative asset and a recognised derivative liability that meet the offsetting criteria in paragraph 42 of NZ IAS 32. If the gross amount of the derivative asset is larger than the gross amount of the derivative liability, the financial asset disclosure table will include the entire amount of the derivative asset (in accordance with paragraph 13C(a)) and the entire amount of the derivative liability (in accordance with paragraph 13C(b)). However, while the financial liability disclosure table will include the entire amount of the derivative liability (in accordance with paragraph 13C(a)), it will only include the amount of the derivative asset (in accordance with paragraph 13C(b)) that is equal to the amount of the derivative liability.

Disclosure of the net amounts presented in the statement of financial position (paragraph 13C(c))

*B45 If an entity has instruments that meet the scope of these disclosures (as specified in paragraph 13A), but that do not meet the offsetting criteria in paragraph 42 of NZ IAS 32, the amounts required to be disclosed by paragraph 13C(c) would equal the amounts required to be disclosed by paragraph 13C(a).

*B46 The amounts required to be disclosed by paragraph 13C(c) must be reconciled to the individual line item amounts presented in the statement of financial position. For example, if an entity determines that the aggregation or disaggregation of individual financial statement line item amounts provides more relevant information, it must reconcile the aggregated or disaggregated amounts disclosed in paragraph 13C(c) back to the individual line item amounts presented in the statement of financial position.

Disclosure of the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b) (paragraph 13C(d))

*B47 Paragraph 13C(d) requires that entities disclose amounts that are subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b). Paragraph 13C(d)(i) refers to amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of NZ IAS 32 (for example, current rights of set-off that do not meet the criterion in paragraph 42(b) of NZ IAS 32, or conditional rights of set-off that are enforceable and exercisable only in the event of default, or only in the event of insolvency or bankruptcy of any of the counterparties).

*B48 Paragraph 13C(d)(ii) refers to amounts related to financial collateral, including cash collateral, both received and pledged. An entity shall disclose the fair value of those financial instruments that have been pledged or received as collateral. The amounts disclosed in accordance with paragraph 13C(d)(ii) should relate to the actual collateral received or pledged and not to any resulting payables or receivables recognised to return or receive back such collateral.

Limits on the amounts disclosed in paragraph 13C(d) (paragraph 13D)

*B49 When disclosing amounts in accordance with paragraph 13C(d), an entity must take into account the effects of over-collateralisation by financial instrument. To do so, the entity must first deduct the amounts disclosed in accordance with paragraph 13C(d)(i) from the amount disclosed in accordance with paragraph 13C(c). The entity shall then limit the amounts disclosed in accordance with paragraph 13C(d)(ii) to the remaining amount in paragraph 13C(c) for the related financial instrument. However, if rights to collateral can be enforced across financial instruments, such rights can be included in the disclosure provided in accordance with paragraph 13D.

Description of the rights of set-off subject to enforceable master netting arrangements and similar agreements (paragraph 13E)

*B50 An entity shall describe the types of rights of set-off and similar arrangements disclosed in accordance with paragraph 13C(d), including the nature of those rights. For example, an entity shall describe its conditional rights. For instruments subject to rights of set-off that are not contingent on a future event but that do not meet the remaining criteria in paragraph 42 of NZ IAS 32, the entity shall describe the reason(s) why the criteria are not met. For any financial collateral received or pledged, the entity shall describe the terms of the collateral agreement (for example, when the collateral is restricted).

Disclosure by type of financial instrument or by counterparty

*B51 The quantitative disclosures required by paragraph 13C(a)–(e) may be grouped by type of financial instrument or transaction (for example, derivatives, repurchase and reverse repurchase agreements or securities borrowing and securities lending agreements).

*B52 Alternatively, an entity may group the quantitative disclosures required by paragraph 13C(a)–(c) by type of financial instrument, and the quantitative disclosures required by paragraph 13C(c)–(e) by counterparty. If an entity provides the required information by counterparty, the entity is not required to identify the counterparties by name. However, designation of counterparties (Counterparty A, Counterparty B, Counterparty C, etc) shall remain consistent from year to year for the years presented to maintain comparability. Qualitative disclosures shall be considered so that further information can be given about the types of counterparties. When disclosure of the amounts in paragraph 13C(c)–(e) is provided by counterparty, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item.

Other

*B53 The specific disclosures required by paragraphs 13C–13E are minimum requirements. To meet the objective in paragraph 13B an entity may need to supplement them with additional (qualitative) disclosures, depending on the terms of the enforceable master netting arrangements and related agreements, including the nature of the rights of set-off, and their effect or potential effect on the entity's financial position.

Appendix C
Amendments to other Standards

The amendments in this appendix shall be applied for annual accounting periods beginning on or after 1 January 2007. If an entity applies NZ IFRS 7 for an earlier period, these amendments shall be applied for that earlier period.

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The amendments contained in this appendix when this Standard was issued in 2005 have been incorporated into the relevant pronouncements.

CONTENTS

NEW ZEALAND-SPECIFIC ADDITIONAL DISCLOSURE REQUIREMENTS APPLICABLE TO NBDTS

Appendix E
New Zealand-Specific Additional Disclosure Requirements Applicable to NBDTs

This appendix is an integral part of the Standard.

Objective

E1 The objective of this appendix is to require a *NBDT* applying this Standard to present disclosures in its financial statements that provide a transparent reporting of its risks consistent with New Zealand's regulatory framework for NBDTs.

Scope

E2 This appendix shall be applied by NBDTs as defined in this appendix.

E2.1A Where a deposit taker has early adopted NZ IFRS 9 *Financial Instruments*, all references to NZ IAS 39 *Financial Instruments: Recognition and Measurement* shall be read as including a reference to NZ IFRS 9 *Financial Instruments*.

E2.1 Where a deposit taker has early adopted NZ IFRS 9 *Financial Instruments* (2010), all references to NZ IAS 39 *Financial Instruments: Recognition and Measurement* shall be read as including a reference to NZ IFRS 9 *Financial Instruments* (2010).

Significance of financial instruments for financial position and performance

Statement of financial position

Categories of financial assets and financial liabilities

E3 Paragraph 8 of this Standard requires entities to disclose financial assets and financial liabilities by the measurement categories in NZ IAS 39 *Financial Instruments: Recognition and Measurement*. In addition, a NBDT with the following categories of financial assets and financial liabilities shall disclose these categories either in the statement of financial position or in the notes.

Financial assets

(a) cash and demand balances with the central bank;

(b) treasury bills and other bills eligible for rediscounting with the central bank;

(c) government and other securities held for trading;

(d) placements with, and loans to and receivables from, other banks;

(e) other money market placements;

(f) loans to and receivables from customers;

(g) other securities;

Financial liabilities

(h) deposits from other banks;

(i) other money market deposits;

(j) amounts owed to other depositors;

(k) certificates of deposits;

(l) promissory notes and other liabilities evidenced by paper; and

(m) other borrowed funds.

Priority of creditors' claims

E4 For each category of financial liability disclosed in accordance with paragraph E3, a NBDT shall disclose information as to the priority of that class of creditors' claims over the NBDT's assets where the entity liquidates or ceases to trade. If the NBDT is a branch of an overseas incorporated NBDT, the NBDT shall also disclose the rights of each class of New Zealand creditors' claims relative to the classes of creditors of the related overseas incorporated NBDT. In determining the relative rights of each creditor class, a NBDT shall consider any legal, regulatory or other impediments that restrict the rights of each class of creditor.

Allowance account for credit losses

E5 Paragraph 16 of this Standard requires that when an entity records the impairment of financial assets in a separate account (eg an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets), rather than directly reducing the carrying amount of the asset it shall disclose a reconciliation of changes in that account during the period for each class of financial assets. To the extent not already disclosed under paragraph 16 of this Standard, an entity shall also disclose the following components of changes in such accounts:

(a) the amount of impairment losses, excluding amounts written off, recognised in profit or loss for the period;

(b) the amount written off and recognised in profit or loss for the period; and

(c) the amount of reversals of previously recognised impairment losses and recoveries of amounts previously written off, recognised in profit or loss for the period.

Allowance accounts for individual impairment

E6 To the extent not already disclosed under paragraph 16 of this Standard, an entity shall disclose the components specified in paragraph E5. It shall also, in respect of allowance accounts used to record individual impairments, disclose three aggregated reconciliations of the changes in those allowance accounts, one for each of the following classes of financial assets:

(a) *restructured assets;*

(b) *financial assets acquired through the enforcement of security*; and

(c) *other individually impaired assets.*

Statement of profit or loss and other comprehensive income

Items of income

E7 In addition to disclosing the information required by paragraph 20 of this Standard, NBDTs shall disclose the following subclasses of interest income:

(a) lending other than on individually impaired assets;

(b) securities held for trading;

(c) other securities;

(d) restructured assets;

(e) financial assets acquired through the enforcement of security;

(f) other individually impaired assets; and

(g) other sources.

Other disclosures

Accounting policies

E8 Paragraph 21 of this Standard requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. Paragraph B5 of this Standard gives examples of measurements bases and accounting policies that would be disclosed in accordance with paragraph 21. A NBDT shall disclose the measurement bases and accounting policies listed in paragraph B5. In addition, a NBDT shall:

(a) in disclosing how net gains or net losses on each category of financial instrument are determined:

(i) disclose its accounting policies for determining net gains and losses on trading securities and other securities as separate categories of financial instruments;

(ii) disclose its accounting policies for recognising and measuring interest income and expense, including disclosures of inter-period allocations of interest income and expense;

(iii) disclose its accounting policies for recognising and measuring fee income and expenses, distinguishing between yield related and non-yield related items, and policies in relation to inter-period allocations;

(b) disclose its accounting policies for funds under management and other fiduciary activities; and

(c) disclose the basis of classification and the accounting policies for recognition and measurement of restructured assets, financial assets acquired through enforcement of security, other individually impaired assets and *90-day past due assets*.

Trust and fiduciary activities

E9 The nature and amount of a NBDT's activities relating to managed funds and trust activities, and whether arrangements exist to ensure that such activities are managed independently from its other activities, shall be disclosed. A NBDT shall also disclose the nature and extent of its involvement in custodial activities.

Disclosures under other standards

E10 In addition to disclosing the information required by this Standard, NBDTs are also required to disclose information required by other standards such as NZ IAS 1 *Presentation of Financial Statements* and NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in relation to financial instruments. For example, NZ IAS 1 requires the disclosure of unrecognised contractual commitments. In complying with these standards an entity shall disclose:

(a) commitments to extend credit that are irrevocable because they cannot be withdrawn at the discretion of the NBDT without the risk of incurring significant penalty or expense;

(b) direct credit substitutes, including general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities;

(c) certain transaction-related contingent liabilities, including performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions;

(d) short-term self-liquidating trade-related contingent liabilities arising from the movement of goods, such as documentary credits where the underlying shipment is used as security; and

(e) other commitments, note issuance facilities and revolving underwriting facilities.

Nature and extent of risks arising from financial instruments

Quantitative disclosures

Concentration of funding, credit and market exposure

E11 Paragraphs 34(c) and B8 of Appendix B of this Standard require disclosures about concentrations of risk in certain circumstances. In addition to the requirements of paragraphs 34(c) and B8, a NBDT shall disclose concentrations of credit exposure and funding in terms of:

(a) customer, industry or economic sector; and

(b) geographical concentrations, showing, where applicable, the following:

(i) concentrations within New Zealand; and

(ii) concentrations in respect of other countries, showing the amount for each country.

E12 One method of disclosing customer or industry sectors is to use codes adopted for official statistical reporting purposes, such as the Australian and New Zealand Standard Industrial Classification (ANZSIC). NBDTs shall disclose the methods used to identify customer, industry or economic sectors.

Credit risk

New Zealand branches

E13 To the extent not already disclosed under paragraph 34 of this Standard, where the entity reporting is a New Zealand branch of an overseas incorporated entity, the New Zealand branch shall relate the credit exposure recorded in the books of the branch to the latest published global equity position of the incorporated entity.

Counterparty risk

E14 In addition to the credit risk disclosures required by paragraph 36 of this Standard, a NBDT shall disclose the number of individual counterparties (not being members of a *group of closely related counterparties*) and groups of closely related counterparties to which the NBDT has a credit exposure (net of allowance for impairment loss) which equals or exceeds 10% of equity. These disclosures shall be presented in successive ranges of 10% of equity, commencing at 10% of equity.

E15 Branches of overseas incorporated banks shall disclose that the *credit exposures to an individual counterparty or a group of closely related counterparties*, do not include exposures to those counterparties if they are booked outside New Zealand.

Financial assets that are either past due or impaired

E16 Paragraph 37(a) of this Standard requires that an entity disclose an analysis of the age of financial assets that are past due as at the reporting date but are not impaired. In addition to paragraph 37(a), a NBDT shall disclose the carrying amount of past due assets that are 90-day past due assets.

E17 To the extent not already disclosed under paragraph 37(b) of this Standard, a NBDT shall disclose a reconciliation of each class of financial assets individually determined to be impaired as at the end of the reporting period, showing the following information:

(a) the carrying amount of the class as at the beginning of the period;

(b) any allowance for impairment loss, excluding amounts written off, relating to the class;

(c) additions to impairment allowance relating to the class;

(d) amounts written off;

(e) deletions from the class; and

(f) the carrying amount of the class as at the end of the reporting period.

E18 In meeting, or in addition to meeting the requirements of paragraphs 37(b) and E17 of this Standard, NBDTs shall disclose the information required by these paragraphs in respect of:

(a) restructured assets;

(b) financial assets acquired through the enforcement of security; and

(c) other individually impaired assets.

Liquidity risk

Maturity profiles of assets and liabilities

E19 A NBDT shall disclose:

(a) a maturity analysis for financial assets that shows the maturities using the same time bands and on the same basis as the maturity analyses of financial liabilities required by paragraphs 39, and B11 to B11E of Appendix B, of this Standard; and

(b) to the extent not already disclosed under paragraph 39(b), a description of how it uses its financial assets to manage the liquidity risk inherent in the maturity analysis of its financial liabilities. In providing this description a NBDT shall consider the factors set out in paragraph B11E(a)–(f).

Expected maturity dates

E20 Where a NBDT manages liquidity risk on the basis of expected maturity dates and where the disclosures required by this Standard (including this appendix) do not provide sufficient information for users of the NBDT's financial statements to evaluate the nature and extent of liquidity risk arising from the NBDT's financial instruments, a NBDT shall disclose a maturity analysis of the expected maturity dates of both financial liabilities and financial assets. If an entity discloses such expected maturity analyses, it shall explain how it determines the remaining expected maturities of those items for which liquidity risk is managed on that basis. If the estimated cash (or other financial asset) outflows included in the quantitative analysis could either:

(a) occur significantly earlier than indicated in the maturity analysis; or

(b) be for significantly different amounts from those indicated in the maturity analysis (for example, for a derivative that is expected to be settled net but for which the counterparty has the option to require gross settlement);

the entity shall state this fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk.

Liabilities on demand

E21 Paragraph B11 of Appendix B of this Standard explains that, in preparing the maturity analyses for financial liabilities required by paragraphs 39(a) and (b), an entity uses its judgement to determine an appropriate number of time bands. Due to the nature of a NBDT's business, an "on demand" time band would generally be appropriate in addition to the time bands noted in paragraph B11.

Market risk

Interest rate repricing

E22 In addition to the sensitivity analysis presented in accordance with either paragraph 40 or 41 of this Standard, for each class of financial assets and financial liabilities a NBDT shall provide information about its exposure to interest rate risk by disclosing contractual repricing or maturity dates, whichever dates are earlier.

Defined terms

E23 For the purposes of this appendix the following terms are defined.

credit exposures to an individual counterparty or a group of closely related counterparties
means the maximum loss amount that could be incurred under all contracts with that counterparty or group of closely related counterparties in the event of those counterparties failing to discharge their obligations.

financial asset acquired through the enforcement of security
means any financial asset which is legally owned as the result of enforcing security. Where a NBDT assumes ownership of a financial asset in settlement of all or part of a debt, that asset is regarded as a financial asset acquired through the enforcement of security. A financial asset acquired through the enforcement of security must be owned outright, and accordingly the definition does not include "mortgagee in possession" assets.

group of closely related counterparties
means a group of legal or natural persons, one or more of which is a counterparty, who are related in such a way that:

(a) the financial soundness of any one of them may materially affect the financial soundness of the other(s);

(b) one has the power to control the other(s); or

(c) one has the capacity to exercise significant influence over the other(s).

A counterparty is any other party to a contract with the entity reporting.

NBDT
means NBDT as defined in the Non-bank Deposit Takers Act 2013.

other individually impaired asset
means a financial asset that is individually determined to be impaired at reporting date in accordance with NZ IAS 39 paragraphs 58 to 62, but which is not a restructured asset, or a financial asset acquired through the enforcement of security.

restructured asset
Means an impaired asset, for which:

(a) the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms;

(b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and

(c) the yield on the asset following restructuring is equal to, or greater than, the institution's average cost of funds, or a loss is not otherwise expected to be incurred.

Where concessionary terms and conditions on an asset have been formally granted to a customer because of the customer's financial difficulties, and the return on the asset following restructuring is such that a loss is not expected to be incurred, then the asset is to be regarded as a restructured asset.

Concessionary terms and conditions granted include formal forgiveness of some principal and interest, or other types of cash flows; a deferral or extension of interest or principal payments; a reduction of interest; and an extension of maturity date. However, a key feature of these assets is that following restructuring, the return under the revised terms and conditions is expected to be equal to, or greater than, the institution's average cost of funds, or that a loss is not otherwise expected to be incurred – if not, the facility must be classified as an other individually impaired asset.

If an asset is restructured so that it is expected that the customer will perform on terms which are similar to those for new facilities of similar risk, and no provisions are currently held against the exposure, then no loss is expected to be incurred and accordingly the exposure may be regarded as fully performing.

90-day past due asset
means a financial asset where the counterparty has failed to operate within contractual payment terms for at least 90 days and which is not a restructured asset, other individually impaired asset, or a financial asset acquired through the enforcement of security.

E24 For the purposes of this appendix, the following terms are defined in NZ IFRS 4 *Insurance Contracts* Appendices C and D or NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans* and are used in this appendix with the meanings specified in NZ IFRS 4 and NZ IAS 26:

- general insurer
- life insurer
- retirement benefit plan.

Appendix E
Basis for Conclusions

This Basis for Conclusions – Appendix E accompanies, but is not part of, NZ IFRS 7 Appendix E.

Introduction

BCE1 This Basis for Conclusions summarises the Financial Reporting Standards Board's (FRSB) considerations in reaching its conclusions on the additional disclosures for financial institutions specified in Appendix E to New Zealand Equivalent to IFRS 7 *Financial Instruments: Disclosures* (NZ IFRS 7) in 2006. It sets out the reasons why the FRSB developed these additional disclosures, the approach taken to developing the disclosures and the key decisions made. Individual FRSB members gave greater weight to some factors than to others.

BCE2 The FRSB published its proposals in December 2005 as ED 106 *Proposed additional disclosure requirements for financial institutions applying NZ IFRS 7*. The deadline for comments was 10 March 2006. The FRSB received six responses. After reviewing the responses, the FRSB sought Accounting Standards Review Board (ASRB) approval of Appendix E in September 2006.

Rationale for additional disclosures

BCE3 In contrast to a number of other jurisdictions, New Zealand's regulatory regime for issuers of securities relies heavily on the public disclosure of financial information. New Zealand's regulatory regime is based on the premise that public disclosure of financial information by financial institutions fosters market discipline and encourages financial institutions to maintain sound risk management systems and practices.

BCE4 Prior to the adoption of New Zealand equivalents to IFRSs, the regulatory disclosure requirements for financial institutions were incorporated in Financial Reporting Standard No 33 *Disclosure of Information by Financial Institutions* (FRS-33). On adoption of New Zealand equivalents to IFRSs, the regulatory disclosure requirements for financial institutions were incorporated in NZ IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* (NZ IAS 30) as additional New Zealand-specific disclosures.

BCE5 The continuation of this approach reflects the view of New Zealand's regulators and accounting standard setters that it is preferable, to the extent practicable, for the detail of financial reporting obligations to be contained in the relevant financial reporting standards. The FRSB had some reservations as to whether including financial institution disclosures in NZ IFRS 7 was appropriate, given that IFRS 7 had been developed by the IASB for general application by entities with financial instruments. After consideration of various factors, the FRSB concluded that, on balance, the inclusion of such additional disclosures was appropriate, for the following reasons.

(a) It reduces the range of different disclosure requirements that financial institutions have to meet and reduces compliance costs on financial institutions.

(b) It makes better use of the available information from the management information systems of financial institutions.

(c) It ensures that regulators consider the nature of the financial information available and reduces the risk of duplication.

(d) It enhances the compatibility of regulatory and financial reporting disclosures.

The FRSB noted that constituents also expressed support for continuing with this approach.

BCE5A On 6 August 2010 the Reserve Bank issued its consultation document *Review of Disclosure Requirements for Registered Banks*. One of the matters raised in this consultation document was the need to retain Appendix E. The FRSB acknowledged the view held by some that Appendix E was no longer required and noted the evidence contained in the Reserve Bank's consultation document to support this view. The FRSB considered that it was appropriate to consult with its own constituency on the need to retain Appendix E. The FRSB therefore issued, on 27 September 2010, Exposure Draft 123 Proposed Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*; Removal of Appendix E *New Zealand-specific additional disclosure requirements applicable to financial institutions* (ED 123). The FRSB acknowledged that there may be correlation between those parties responding to the Reserve Bank and those responding to ED 123. Consequently, ED 123 included reference to the Reserve Bank's consultation document.

BCE5B The Reserve Bank is developing its new regulatory reporting regime in two stages. The first stage focused on Registered Banks and resulted in the issuance of an Order in Council *Registered Bank Disclosure Statements*

(New Zealand Incorporated Registered Banks) Order 2011. This Order is effective for periods ended 31 March 2011. The second phase due to be completed in late 2011 will apply to non-bank deposit takers.

BCE5C In response to ED 123 the FRSB received two comment letters. To inform its due process the FRSB also considered the non-confidential comment letters received by the Reserve Bank in response to its consultation document. All respondents who commented to the FRSB and to the Reserve Bank generally agreed that Appendix E was no longer required. Those respondents who supported the full withdrawal of Appendix E commented that:

(a) Appendix E overlaps with other requirements;

(b) of the information required by Appendix E, only a few of the disclosures remain relevant to readers; and

(c) removing Appendix E would align New Zealand internationally.

BCE5D In its comment letter to the FRSB the Reserve Bank noted that the withdrawal of Appendix E would create a temporary reporting vacuum for non-bank deposit takers, until such time as the Reserve Bank had introduced its new reporting regime for this group. The Reserve Bank requested that the FRSB retain Appendix E for non-bank deposit takers until the new reporting regime for this group had been finalised.

BCE5E The FRSB acknowledged the views supporting the removal of Appendix E and the request from the Reserve Bank regarding non-bank deposit takers. The FRSB therefore decided to limit the scope of Appendix E to non-bank deposit takers until the Reserve Bank has introduced its new reporting regime for this group. The FRSB also agreed to recommend that Appendix E be withdrawn in its entirety once the regulatory reporting regime for non-bank deposit takers is established by the Reserve Bank.

BCE5F As a consequence of the decision to limit the scope of Appendix E to non-bank deposit takers, all references to the term 'financial institution' in Appendix E were replaced with the term 'deposit taker' as defined in the Reserve Bank of New Zealand Act 1989. Non-bank deposit takers are subsumed within the definition of deposit taker in that Act.

BCE6 The FRSB also considered whether it was appropriate for the disclosure requirements in Appendix E to refer to related disclosures in the body of NZ IFRS 7. This cross-referencing was intended to make it easier for entities to identify relevant paragraphs within NZ IFRS 7 and the nature of the additional disclosure required by Appendix E. The FRSB noted concerns that:

(a) the detailed specification of additional disclosures for financial institutions could lead financial institutions to focus on complying with the mandated disclosures rather than considering which disclosures would best meet the spirit of the disclosure principles in NZ IFRS 7; and

(b) the disclosures in Appendix E could be regarded as an interpretation of the requirements in NZ IFRS 7.

On balance the FRSB concluded that including references to related disclosures in the body of NZ IFRS 7 was the most useful approach. In order to address the concerns raised the FRSB took care when drafting the additional disclosure requirements to highlight the primacy of the NZ IFRS 7 requirements, the fact that Appendix E establishes additional disclosure requirements (to the extent that these disclosures have not already been made in accordance with the requirements in the body of NZ IFRS 7) and that the Appendix E disclosures apply solely to financial institutions. The FRSB also noted that the disclosure principles in NZ IFRS 7 will continue to be an overriding requirement for financial institutions complying with NZ IFRS 7.

General approach

BCE7 Given the practice of including regulatory disclosure requirements for financial institutions in financial reporting standards, New Zealand's regulatory bodies requested that the FRSB develop additional disclosures for financial institutions to be included in NZ IFRS 7. The FRSB sought industry advice in reviewing the proposed additional disclosures. The FRSB's objectives were to avoid duplicating disclosures in IFRSs and ensure that the disclosures are consistent with the requirements of IFRSs, particularly those of NZ IFRS 7.

BCE8 The disclosures in Appendix E were based primarily on the New Zealand-specific disclosure requirements previously located in NZ IAS 30 and, prior to that, in FRS-33 (refer to the Table of Concordance). The FRSB made some changes to the New Zealand-specific disclosure requirements in NZ IAS 30 to prevent duplication. For example, many of the disclosures previously required by NZ IAS 30 paragraph 10 are now required by other New Zealand equivalents to IFRSs. Changes were also made to harmonise terminology with IFRSs.

BCE9 The following paragraphs set out the rationale for the additional disclosures.

Statement of financial position (paragraphs E3 to E6)

Categories of financial assets and financial liabilities (paragraph E3)

BCE10 Paragraph E3 requires that financial institutions disclose an additional breakdown of financial assets and liabilities. The distinction between balances with other financial institutions and those with other parts of the money market and from other depositors provides information on a financial institution's relations with, and dependence on, other financial institutions and the money market.

Priority of creditors' claims (paragraph E4)

BCE11 Paragraph E4 requires the disclosure of information on the priority of creditors' claims. This disclosure gives users information on the degree of protection provided to them in the event of a financial institution being liquidated.

Allowance account for credit losses and allowance accounts for individual impairment (paragraphs E5 and E6)

BCE12 Paragraph 16 of NZ IFRS 7 requires a reconciliation of changes in an allowance account during the period. Paragraph BC26 of IFRS 7 notes that the IASB was informed that analysts and other users find this information useful in assessing the adequacy of the allowance for impairment losses for such entities and when comparing one entity with another. The IASB decided not to specify the components of the reconciliation and noted that this allows entities flexibility in determining the most appropriate format for their needs. In the context of Appendix E, specification of the components of the reconciliation enhances the comparability of information provided by financial institutions.

Quantitative disclosures (paragraphs E11 to E22)

Concentration of funding, credit and market exposure (paragraphs E11 and E12)

BCE13 Paragraph 36 of NZ IFRS 7 requires disclosure of the amount that best represents the entity's maximum exposure to credit risk. In addition, paragraph E11 requires the disclosure of information about material concentrations of credit risk in order to better enable users to assess trends in asset quality.

BCE14 Paragraph E11 also requires the disclosure of information about material sources of funding. This information is a useful indication of the potential risks inherent in the realisation of the assets and the funds available to the financial institution.

Counterparty risk (paragraphs E14 to E15)

BCE15 Paragraph E13 requires banks which are New Zealand branches of an overseas incorporated financial institution to disclose information on their credit exposures in relation to the global equity of the overseas incorporated financial institution. This provides users with information on the global equity of the overseas institution which is generally available to absorb losses arising from credit exposures in the New Zealand branch. Paragraph E14 requires the disclosure of information about counterparties to which the financial institution has a significant credit exposure. This disclosure highlights material credit exposures and the ability of financial institutions to absorb unexpected credit losses.

Financial assets that are either past due or impaired (paragraphs E16 to E18)

BCE16 Paragraph 37 requires an analysis of financial assets that are past due but not impaired and financial assets that are individually determined to be impaired. Paragraph E16 requires the disclosure of 90-day past due assets and paragraph E17 requires disclosure of a reconciliation of each class of financial assets individually determined to be impaired. These additional disclosures are intended to assist users in assessing asset quality. Disclosure of movements in the balances of past due assets and impaired assets enables users of financial statements to assess trends in asset quality.

Liquidity risk (paragraphs E19 to E21)

BCE17 Paragraph E19(a) requires the disclosure of a maturity analysis for financial assets on the same basis as the maturity analysis for financial liabilities required by paragraphs 39(a) and (b). The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of a financial institution and its exposure to changes in interest rates and exchange rates. The FRSB noted that some respondents commented on the importance of matching and controlled mismatching of the maturities of assets and liabilities in the management of financial institutions. Paragraph E19(b) also requires a description of how a financial institution uses its financial assets to manage its liquidity risk (to the extent that this information has not already been disclosed under paragraph 39(c)).

BCE18 ED 106 proposed that financial institutions be required to disclose a maturity analysis for financial assets and financial liabilities showing estimated or expected maturities. The disclosure was previously optional under FRS-33 and NZ IAS 30. The majority of respondents objected to making this disclosure mandatory on the grounds of limited information value (particularly given the similarity of the information to that in the interest repricing schedules), cost of preparation and the subjectivity involved in preparing this information. However, other respondents expressed the view that information on expected maturities should be required because where actual maturities differ from expected maturities it would be misleading to provide information only in respect of actual maturities.

BCE19 The FRSB considered that both groups of respondents had raised valid issues and sought to address these issues by limiting the circumstances in which financial institutions are required to present an additional maturity analysis of the expected maturity dates of financial liabilities and financial assets. The FRSB agreed that a financial institution should be required to disclose such a maturity analysis only where it manages liquidity risk on the basis of expected maturity dates and where the information is required to provide users of financial statements with sufficient information to evaluate the nature and extent of liquidity risk arising from the financial institution’s financial instruments (paragraph E20).

Interest rate repricing (paragraph E22)

BCE20 Paragraph E22 requires the disclosure of information about exposure to interest rate risk through the disclosure of contractual repricing or maturity dates, whichever dates are earlier. This disclosure indicates the length of time for which interest rates are fixed at present levels and provides a basis for evaluating the interest rate risk to which a financial institution is exposed.

Effective interest rates

BCE21 The disclosure of effective interest rates was previously required by NZ IAS 32. In developing ED 106 the FRSB noted that the IASB had chosen not to require the disclosure of effective interest rates in IFRS 7. Instead the IASB effectively replaced the interest risk disclosures previously in IAS 32 paragraph 67 with a requirement to disclose a simple sensitivity analysis for each type of market risk (including interest rate risk). The Request for Comment that accompanied ED 106 stated that the FRSB considered that the effective interest rate disclosures are no longer required in an environment where derivatives are recognised in the financial statements and entities provide information on risks arising from financial instruments in accordance with NZ IFRS 7. The FRSB sought respondents’ views on the proposal not to require disclosure of effective interest rates. Respondents’ views were mixed. One view was that weighted average interest rate information is onerous to prepare and does not add significantly to a reader’s understanding of interest rate risk. Those who supported the disclosure of effective interest rates argued that they provide useful information to users in evaluating the interest rate risk or risks and rewards that an entity is exposed to.

BCE22 Further discussions with some respondents demonstrated that they considered effective interest rates to be a headline indicator of credit risk. These respondents expressed the view that the gross interest rate charged by a financial institution will reflect the underlying credit risk of the parties to whom it is lending and that differences in gross interest rates between similar financial institutions would generally indicate differences in their credit risk. Following consideration of the use of effective interest rates by financial commentators in New Zealand the FRSB concluded that there was no compelling reason for requiring the disclosure of effective interest rates in Appendix E. The FRSB considered that the disclosure of credit ratings would be a more appropriate way of providing additional information on the credit risk of financial institutions and agreed to seek constituents’ views on this proposal via a separate exposure draft.

Summary of main changes from the Exposure Draft

BCE23 The main change to the proposals in ED 106 are as follows.

(a) The disclosures have been reordered to more closely follow the order of associated paragraphs in NZ IFRS 7. Subheadings have also been changed to more closely align with the subheadings in NZ IFRS 7.

(b) The fact that some disclosures are required only in respect of assets that are individually determined to be impaired has been clarified.

(c) A requirement has been added for financial institutions to describe how they use their financial assets to manage the liquidity risk inherent in the maturity analysis of their financial liabilities (refer paragraph E19(b) and BCE20).

(d) Financial institutions are required to disclose expected maturity dates of financial liabilities and financial assets only in certain circumstances. The circumstances are where the financial institution manages liquidity risk on the basis of expected maturity dates and where the disclosures required by NZ IFRS 7 do not provide sufficient information for users of the financial institution's financial statements to evaluate the nature and extent of liquidity risk arising from the financial institution's financial instruments (refer paragraph E20 and BCE19).

(e) The definition of "other individually impaired assets" has been clarified to highlight that it refers only to assets that are individually determined to be impaired and does not include "financial assets acquired through the enforcement of security". As noted in the definition of "90-day past due assets", "90-day past due assets" and "other individually impaired assets" are mutually exclusive categories.

(f) The definition of "assets acquired through the enforcement of security" has been changed to limit it to "financial assets acquired through the enforcement of security". This change is consistent with the scope of NZ IFRS 7 and Appendix E.

Appendix E
Table of concordance

This table accompanies, but is not part of Appendix E.

This table shows how the New Zealand-specific requirements in NZ IAS 30 and Appendix E correspond. Paragraphs are treated as corresponding if they broadly address the same matter even though the guidance may differ.

FRS-33	**NZ IAS 30** **NZ-specific requirements**	**Appendix E**
FRS-33 4.1, 4.2, 4.6, 4.16-4.22, 4.9, 4.26, 4.32, 4.36, 4.38, and 4.40-4.43	NZ 7.1 – NZ 7.14	E23
FRS-33 5.2, 5.4-5.10	NZ 8.1 – NZ 8.6	E8
FRS-33 6.3	NZ 10.1	E7
FRS-33 7.12	NZ 19.3	E4
FRS-33 11.3 and 11.4	NZ 30.1	E18, E20
FRS-33 13.4 and 14.1	NZ 40.1-40.2	E10
FRS-33 13.6	NZ 41.1	E11
FRS-33 13.11	NZ 41.2	E12
FRS-33 13.1	NZ 41.3	E15
FRS-33 13.3	NZ 41.4	E13
FRS-33 10.1	NZ 49.1	E5, E14, E16, E17
FRS-33 10.4	NZ 49.4	E16

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRS 7 *Financial Instruments: Disclosures*

This table lists the pronouncements establishing and substantially amending NZ IFRS 7. The table is based on amendments approved as at 31 December 2016 other than consequential amendments resulting from early adoption of NZ IFRS 16 *Leases*.

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IFRS 7 *Financial Instruments: Disclosures*	Nov 2005	Early application encouraged	1 Jan 2007
Amendments to NZ IFRS 7 *Financial Instruments: Disclosures — Differential Reporting Concessions and Financial Institution Disclosures*	Sep 2006	1 Jan 2007 Early application encouraged	1 Jan 2007
Amendments to NZ IFRS 4 *Insurance Contracts—The Scope of Insurance Activities and Differential Reporting Concessions*	Sept 2007	Early application permitted	1 Jan 2009
NZ IAS 1 *Presentation of Financial Statements* (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009
Amendments to NZ IAS 32 and NZ IAS 1—*Puttable Financial Instruments and Obligations Arising on Liquidation*	Feb 2008	Early application permitted	1 Jan 2009
NZ IFRS 3 *Business Combinations* (revised 2008)	Feb 2008	Early application permitted	1 Jan 2009
Improvements to NZ IFRSs	June 2008	Early application permitted	1 Jan 2009
Reclassification of Financial Assets (Amendments to NZ IAS 39 *Financial Instruments: Recognition and Measurement* and NZ IFRS 7 *Financial Instruments: Disclosures*)	Oct 2008 Dec 2008	Restricted retrospective application permitted back to 1 July 2008	Prospective application from 1 Nov 2008 (not annual period commencing)
Improving Disclosures about Financial Instruments (Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*)	March 2009	Early application permitted	1 Jan 2009
NZ IFRS 9 *Financial Instruments* (2009)	Nov 2009	Early application permitted	1 Jan 2013[1]
Limited Exemption from Comparative NZ IFRS 7 Disclosures for First-time Adopters (Amendment to NZ IFRS 1)	March 2010	Early application permitted	1 July 2010
Improvements to NZ IFRSs	July 2010	Early application permitted	1 Jan 2011
Minor Amendments to NZ IFRSs	July 2010	Immediate	Immediate

1 Superseded by NZ IFRS 9 *Financial Instruments* (2014). NZ IFRS 9 (2014) restricted early application of earlier versions of NZ IFRS 9.

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
Disclosures—Transfers of Financial Assets (Amendments to NZ IFRS 7)	Nov 2010	Early application permitted	1 July 2011
NZ IFRS 9 *Financial Instruments* (2010)	Nov 2010	Early application permitted	1 Jan 2013[2]
Amendments to NZ IFRS 7 *Financial Instruments: Disclosures* Amendments to Appendix E *New Zealand-specific additional disclosure requirements applicable to financial institutions (Amendments to NZ IFRS 7—Appendix E)*	March 2011	Early application permitted	1 April 2011
NZ IFRS 10 *Consolidated Financial Statements*	June 2011	Early application permitted	1 Jan 2013
NZ IFRS 11 *Joint Arrangements*	June 2011	Early application permitted	1 Jan 2013
NZ IFRS 13 *Fair Value Measurement*	June 2011	Early application permitted	1 Jan 2013
Presentation of Items of Other Comprehensive Income (Amendments to NZ IAS 1)	Aug 2011	Early application permitted	1 July 2012
Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to NZ IFRS 7)	Feb 2012	Early application permitted	1 Jan 2013
Framework: Tier 1 and Tier 2 For-profit Entities[3]	Nov 2012	Early application permitted	1 Dec 2012
Investment Entities (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 27)	Dec 2012	Early application permitted	1 Jan 2014
NZ IFRS 9 *Financial Instruments* (2013) (*Hedge Accounting and Amendments to NZ IFRS 9, NZ IFRS 7 and NZ IAS 39*)	Dec 2013	Early application permitted	1 Jan 2017[4]
RDR Hedge Accounting Disclosures (Amendments to NZ IFRS 9 (2013)	June 2014	Early application permitted	1 Jan 2017[5]
NZ IFRS 9 *Financial Instruments* (2014)	Sept 2014	Early application permitted	1 Jan 2018
Annual Improvements to NZ IFRSs 2012–2014 Cycle	Nov 2014	Early application permitted	1 Jan 2016

2 Superseded by NZ IFRS 9 *Financial Instruments* (2014). NZ IFRS 9 (2014) restricted early application of earlier versions of NZ IFRS 9.

3 This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.

4 Superseded by NZ IFRS 9 *Financial Instruments* (2014). NZ IFRS 9 (2014) restricted early application of earlier versions of NZ IFRS 9.

5 *RDR Hedge Accounting Disclosures* provided concessions for the disclosures about hedge accounting that were added to NZ IFRS 7 by NZ IFRS 9 *Financial Instruments* (2013) (*Hedge Accounting and Amendments to NZ IFRS 9, NZ IFRS 7 and NZ IAS 39*). See paragraph NZ 44Y.1 of this Standard for the paragraphs that were amended.

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
2014 Omnibus Amendments to NZ IFRSs	Dec 2014	Early application permitted	1 April 2015
Disclosure Initiative (Amendments to NZ IAS 1)	Feb 2015	Early application permitted	1 Jan 2016
Amendments to For-profit Accounting Standards as a Consequence of XRB A1 and Other Amendments	Dec 2015	Early application permitted	1 Jan 2016
RDR Expected Credit Losses (Amendments to NZ IFRS 7)	Nov 2016	Early application permitted	1 Jan 2018

Table of Amended Paragraphs in NZ IFRS 7		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 2	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 3	Amended	Amendments to NZ IAS 32 and NZ IAS 1 [Feb 2008]
Paragraph 3	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 3	Amended	NZ IFRS 10 and NZ IFRS 11 [June 2011]
Paragraph 3	Amended	NZ IFRS 13 [June 2011]
Paragraph 3	Amended	*Investment Entities* [Dec 2012]
Paragraph 3(a)	Amended	*Improvements to NZ IFRSs* [June 2008]
Paragraph 3(c)	Deleted	NZ IFRS 3 [Feb 2008]
Paragraph NZ 3.1	Added	*Presentation of Items of Other Comprehensive Income* [Aug 2011]
Paragraph 4	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 5	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph NZ 5.1	Added	Amendments to NZ IFRS 7 [Sep 2006]
Paragraph NZ 5.1	Amended	Amendments to NZ IFRS 4 [Sept 2007]
Paragraph NZ 5.1	Amended	Minor Amendments [July 2010]
Paragraph NZ 5.2	Added	Amendments to NZ IFRS 7 [Sep 2006]
Paragraph NZ 5.3	Added	Amendments to NZ IFRS 4 [Sept 2007]
Paragraph 5A	Added	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 8	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 9	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 10	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]

Table of Amended Paragraphs in NZ IFRS 7		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 10A	Added	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 11	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 11A	Added	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 11B	Added	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 12	Amended	*Reclassification of Financial Assets* [Oct 2008]
Paragraph 12	Deleted	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 12A	Added	*Reclassification of Financial Assets* [Oct 2008]
Paragraph 12A	Deleted	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 12B	Added	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 12C	Added	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 12D	Added	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 13 and preceding heading	Deleted	*Disclosures—Transfers of Financial Assets* [Nov 2010]
Paragraphs 13A–13F	Added	*Disclosures—Offsetting Financial Assets and Financial Liabilities* [Feb 2012]
Paragraph 14	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 16	Deleted	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 16A	Added	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 20 and preceding heading	Amended	NZ IAS 1[Nov 2007]
Paragraph 20	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 20A	Added	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 21	Amended	NZ IAS 1[Nov 2007]
Paragraph 21	Amended	*Disclosure Initiative* [Feb 2015]
Paragraphs 21A–21D	Added	NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraphs 22, 23 and 24	Deleted	NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraphs 22A–22C	Added	NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 23(c)	Amended	NZ IAS 1[Nov 2007]
Paragraph 23(d)	Amended	NZ IAS 1[Nov 2007]
Paragraphs 23A–23F	Added	NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraphs 24A–24G	Added	NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 27	Amended	NZ IAS 1[Nov 2007]

Table of Amended Paragraphs in NZ IFRS 7		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 27	Amended	*Improving Disclosures* [Mar 2009]
Paragraphs 27A and 27B	Added	*Improving Disclosures* [Mar 2009]
Paragraph 27B	Amended	*Presentation of Items of Other Comprehensive Income* [Aug 2011]
Paragraphs 27–27B	Deleted	NZ IFRS 13 [June 2011]
Paragraph 28	Amended	NZ IFRS 13 [June 2011]
Paragraph 28	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 29	Amended	NZ IFRS 13 [June 2011]
Paragraph 29	Amended	NZ IFRS 9 (2009) [Nov 2009] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 30	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 32A	Added	*Improvements to NZ IFRSs* [July 2010]
Paragraph 34	Amended	*Improvements to NZ IFRSs* [July 2010]
Paragraph 34	Amended	NZ IFRS 9 (2014) [Sept 2014]
Paragraphs 35A–35N	Added	NZ IFRS 9 (2014) [Sept 2014]
Paragraphs 35A–35N	Amended	*RDR Expected Credit Losses* (Amendments to NZ IFRS 7) [Nov 2016]
Paragraph 36	Amended	*Improvements to NZ IFRSs* [July 2010]
Paragraph 36	Amended	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 37	Amended	*Improvements to NZ IFRSs* [July 2010]
Paragraph 37	Deleted	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 38	Amended	*Improvements to NZ IFRSs* [July 2010]
Paragraph 39	Amended	*Improving Disclosures* [Mar 2009]
Paragraphs 42A–42H and preceding heading	Added	*Disclosures—Transfers of Financial Assets* [Nov 2010]
Paragraphs 42C–42E	Amended	NZ IFRS 9 (2010) [Nov 2010] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph RDR 42D.1	Amended	NZ IFRS 9 (2010) [Nov 2010]
Paragraphs 42I–42S	Added	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44A	Added	NZ IAS 1[Nov 2007]
Paragraph 44B	Added	NZ IFRS 3 [Feb 2008]
Paragraph 44B	Amended	*Improvements to NZ IFRSs* [July 2010]
Paragraph 44C	Added	Amendments to NZ IAS 32 and NZ IAS 1 [Feb 2008]
Paragraph 44D	Added	Improvements to NZ IFRSs [June 2008]
Paragraph 44E	Added	*Reclassification of Financial Assets* [Oct 2008]
Paragraph 44E	Amended	*Reclassification of Financial Assets* [Dec 2008]
Paragraph 44E	Deleted	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44F	Added	*Reclassification of Financial Assets* [Dec 2008]
Paragraph 44F	Deleted	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44G	Added	*Improving Disclosures* [Mar 2009]

Table of Amended Paragraphs in NZ IFRS 7		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 44G	Amended	*Limited Exemption from Comparative NZ IFRS 7 Disclosures for First-time Adopters* [March 2010]
Paragraph 44H	Added	NZ IFRS 9 (2009) [Nov 2009]
Paragraph 44H	Deleted	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44I	Added	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010] and NZ IFRS 9 (2013) [Dec 2013]
Paragraph 44I	Deleted	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44J	Added	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010] and NZ IFRS 9 (2013) [Dec 2013]
Paragraph 44J	Deleted	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44K	Added	*Improvements to NZ IFRSs* [July 2010]
Paragraph 44L	Added	*Improvements to NZ IFRSs* [July 2010]
Paragraph 44M	Added	*Disclosures—Transfers of Financial Assets* [Nov 2010]
Paragraph 44N	Added	NZ IFRS 9 (2010) [Nov 2010]
Paragraph 44N	Deleted	NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44O	Added	NZ IFRS 10 and NZ IFRS 11 [June 2011]
Paragraph 44P	Added	NZ IFRS 13 [June 2011]
Paragraph 44Q	Added	*Presentation of Items of Other Comprehensive Income* [Aug 2011]
Paragraph 44R	Added	*Disclosures—Offsetting Financial Assets and Financial Liabilities* [Feb 2012]
Paragraph 44R	Amended	*Annual Improvements to NZ IFRSs 2012–2014 Cycle* [Nov 2014]
Paragraph NZ 44R.1	Added	*Framework: Tier 1 and Tier 2 For-profit Entities* [Nov 2012]
Paragraphs 44S–44W	Added and Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010] and NZ IFRS 9 (2013) [Dec 2013]
Paragraphs 44S–44W	Deleted	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44X	Added	*Investment Entities* [Dec 2012]
Paragraph 44Y	Added	NZ IFRS 9 (2013) [Dec 2013]
Paragraph 44Y	Deleted	NZ IFRS 9 (2014) [Sept 2014]
Paragraph NZ 44Y.1	Added	*RDR Hedge Accounting Disclosures* [June 2014]
Paragraph 44Z	Added	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44ZA	Added	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 44AA	Added	*Annual Improvements to NZ IFRSs 2012–2014 Cycle* [Nov 2014]
Paragraph 44BB	Added	*Disclosure Initiative* [Feb 2015]
Paragraph NZ 44BB.1	Added	*Amendments to For-profit Accounting Standards* [Dec 2015]
Paragraph NZ 44CC.1	Amended	*RDR Expected Credit Losses* (Amendments to NZ IFRS 7) [Nov 2016]
Paragraph NZ 44.1	Added	Amendments to NZ IFRS 7 [Sep 2006]
Paragraph NZ 44.1	Deleted	*(Amendments to NZ IFRS 7—Appendix E)* [March 2011]
Paragraph NZ 44.2	Added	Amendments to NZ IFRS 7 [Sep 2006]
Paragraph NZ 44.3	Added	*(Amendments to NZ IFRS 7—Appendix E)* [March 2011]
Paragraph NZ 44.4	Added	*2014 Omnibus Amendments to NZ IFRSs* [Dec 2014]

Table of Amended Paragraphs in NZ IFRS 7		
Paragraph affected	**How affected**	**By … [date]**
Paragraph NZ 45.1	Amended	Amendments to NZ IFRS 7 [Sep 2006]
Paragraph NZ 45.1	Deleted	*(Amendments to NZ IFRS 7—Appendix E)* [March 2011]
Appendix A liquidity risk	Amended	*Improving Disclosures* [Mar 2009]
Appendix A credit risk rating grades	Added	NZ IFRS 9 (2014) [Sept 2014]
Appendix A past due	Deleted	NZ IFRS 9 (2014) [Sept 2014]
Appendix A last paragraph	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph B1	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph B4 and preceding heading	Deleted	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph B5	Amended	NZ IAS 1[Nov 2007]
Paragraph B5	Amended	*Disclosure Initiative* [Feb 2015]
Paragraph B5	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraphs B8A–B8J and preceding heading	Added	NZ IFRS 9 (2014) [Sept 2014]
Paragraphs B8A–B8J	Amended	*RDR Expected Credit Losses* (Amendments to NZ IFRS 7) [Nov 2016]
Paragraph B9	Amended	NZ IFRS 9 (2014) [Sept 2014]
Paragraph B10	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Heading preceding paragraph B10A	Amended	*Improving Disclosures* [Mar 2009]
Paragraph B10A	Added	*Improving Disclosures* [Mar 2009]
Paragraph B11	Amended	*Improving Disclosures* [Mar 2009]
Paragraphs B11A–B11F	Added	*Improving Disclosures* [Mar 2009]
Paragraphs B12–B16	Deleted	*Improving Disclosures* [Mar 2009]
Paragraph B22	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph B27	Amended	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraphs B29–B39 and two preceding headings	Added	*Disclosures—Transfers of Financial Assets* [Nov 2010]
Paragraph B30	Amended	*Annual Improvements to NZ IFRSs 2012–2014 Cycle* [Nov 2014]
Paragraph B30A	Added	*Annual Improvements to NZ IFRSs 2012–2014 Cycle* [Nov 2014]
Paragraph B40–B53	Added	*Disclosures—Offsetting Financial Assets and Financial Liabilities* [Feb 2012]
Introduction to Appendix C	Amended	Amendments to NZ IFRS 7 [Sep 2006]
Appendix C	Amended	*(Amendments to NZ IFRS 7—Appendix E)* [March 2011]

Table of Amended Paragraphs in NZ IFRS 7		
Paragraph affected	**How affected**	**By … [date]**
Appendix D	Deleted	NZ IFRS 9 (2009) [Nov 2009], NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Appendix E	Added	Amendments to NZ IFRS 7 [Sep 2006]
Appendix E various paragraphs	Terminology change	*(Amendments to NZ IFRS 7—Appendix E)* [March 2011]
Appendix E various paragraphs	Terminology change	*2014 Omnibus Amendments to NZ IFRSs* [Dec 2014]
Heading preceding the heading preceding paragraph E7	Amended	*Presentation of Items of Other Comprehensive Income* [Aug 2011]
Paragraph E19	Amended	*Improving Disclosures* [Mar 2009]
Paragraph E20	Amended	*Improving Disclosures* [Mar 2009]
Paragraph E21	Amended	*Improving Disclosures* [Mar 2009]
Paragraph E23: Defined terms – deposit taker	Added	*(Amendments to NZ IFRS 7—Appendix E)* [March 2011]
Paragraph E23: Defined terms – deposit taker	Deleted	2014 Omnibus Amendments to NZ IFRSs [Dec 2014]
Paragraph E23: Defined terms – financial institution	Deleted	*(Amendments to NZ IFRS 7—Appendix E)* [March 2011]
Paragraph E23: Defined terms – NBDT	Added	2014 Omnibus Amendments to NZ IFRSs [Dec 2014]
Paragraph E23: Defined terms – 90-day past due asset	Amended	NZ IFRS 9 (2014) [Sept 2014]