



Our Ref.: C/FRSC

Sent electronically through the IASB Website (www.ifrs.org)

2 August 2024

Dr Andreas Barckow
International Accounting Standards Board
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Canary Wharf
London E14 4HD
United Kingdom

Dear Andreas,

**IASB Exposure Draft
Contracts for Renewable Electricity
(Proposed amendments to IFRS 9 and IFRS 7)**

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing, ethics and sustainability disclosures for professional accountants in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Exposure Draft (ED).

The HKICPA appreciates the IASB's endeavours to address the practical issues related to the accounting for contracts for renewable electricity (CREs). In Hong Kong, CREs are not prevalent at the moment and the ED is anticipated to primarily impact certain companies with overseas operations. Nevertheless, we have significant concerns on certain aspects of the proposals. We believe the proposal should be pursued with thorough consideration, allowing for sufficient time and input from stakeholders to avoid any unintended consequences. We provide detailed comments in the Appendix and summarise our primary concerns and recommendations below.

Scope of the proposed amendments

We have significant concerns regarding the scope of the proposed amendments. We consider that the proposals, which would provide a more favourable treatment exclusively to CREs with specified characteristics, lack principle-based justification. We emphasise the importance of neutrality of financial reporting for financial statements to be faithfully representational. Providing further exceptions to an existing exception in IFRS 9 *Financial Instruments* could have a detrimental impact on comparability and consistency in accounting for contracts with similar economics in financial statements. Accordingly, we recommend the IASB re-assess the scope of the amendments by adopting a principle-based approach, particularly, extending the scope of the proposed amendments to encompass all contracts that exhibit similar economics, regardless of whether they are related to electricity contracts of variable volume or green issues.



Proposed 'own-use' requirements and proposed hedge accounting requirements

We have identified several issues regarding the application of the proposed 'own-use' requirements and hedge accounting requirements that require further clarification or guidance. In particular, hedge accounting is a complex area and the ED proposes exceptions to the general requirements for designating and measuring a hedged item for in-scope CREs. However, the ED is unclear as to how the exceptions would interact with the existing hedge accounting requirements in IFRS 9. For these reasons, we recommend that the IASB provide guidance on how the proposed hedge accounting requirements are intended to apply for CREs within the scope of the ED. We noted that [the Appendix to the IASB staff paper March 2024 meeting](#) provides an illustrative example of applying the proposed hedge accounting requirements. We recommend that the IASB build on that example to demonstrate how the proposed requirements interact with the existing requirements in IFRS 9, including the determination of hedge ineffectiveness and accounting for cash flow hedge reserve under IFRS 9.6.5.11 and 12, as well as how entities should apply the proposed hedge accounting upon transition when it changes the designation of the hedged item without the need to discontinue the hedging relationship.

Proposed disclosure requirements

In addition, we have significant concerns about the proposed disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*. The proposed disclosures require excessive details which would impose onerous burden on preparers. Specifically, we do not support the fair value disclosures in ED.IFRS 7.42T(b)(i). We understand that this ED was developed based on stakeholders' view that accounting for CREs, which are typically long-term, at fair value does not provide useful information. Therefore, it is counterintuitive that entities applying the proposed 'own-use' requirements are required to disclose fair value in financial statements. Furthermore, practical challenges exist in determining a reliable fair value for these long-term contracts due to the significant uncertainty arising from the nature-dependent and volume risk adjusted characteristics, and this would likely increase the costs of preparing the fair value disclosures. In light of these concerns, we strongly recommend the IASB remove the fair value disclosure requirements and conduct field tests with preparers that have contracts within the scope of the ED to ensure that all the proposed disclosures are practical and useful, and that the associated costs of implementation do not outweigh the benefits.

If you have any questions regarding the matters raised in this letter, please contact Carrie Lau (carrie@hki CPA.org.hk) or Shiro Lam (shiro lam@hki CPA.org.hk), Associate Directors of the Standard Setting Department.

Sincerely,

A handwritten signature in black ink that reads "Cecilia Kwei". The signature is written in a cursive, flowing style.

Cecilia Kwei
Director of Standard Setting

Work undertaken by the HKICPA in forming its views:

The HKICPA:

- (a) issued an Invitation to Comment on the ED on 9 May 2024 to its members and other stakeholders;
- (b) sought input from its Financial Instruments Advisory Panel;
- (c) sought input from targeted stakeholders engaging in power generation; and
- (d) developed its views through its Financial Reporting Standards Committee, having reflected on its respondents' views. The Committee comprises preparer representatives from various industry sectors, regulators, as well as technical and industry experts from small, medium and large accounting firms.

Detailed comments on the IASB ED

1. We appreciate the IASB's timely response in addressing stakeholders' concerns and challenges in accounting for contracts for renewable electricity in view of the growing demand for renewable energy globally. While the impact of CREs, and hence the ED, on entities operating in Hong Kong is limited at this stage, there could be potential implications for their investments in entities operating in other jurisdictions engaging in the sale and purchase of renewable electricity. Nevertheless, we have significant concerns on certain aspects of the proposals. We provide our detailed comments and recommendations on the ED below.

Question 1: Scope of the proposed requirements

A. *Lack of principle-based justification for the scope*

2. We have significant concerns regarding the scope of the proposed 'own-use' requirements and the hedge accounting requirements. We consider that the proposals, which would provide a more favourable treatment exclusively to CREs with specified characteristics, lack principle-based justification. We emphasise the importance of neutrality of financial reporting in order for financial statements to be faithfully representational. We consider that the IASB should re-assess the scope of the proposals to include other contracts with similar economics for the following reasons:

(a) 'Own-use' requirements

3. Considering the unique characteristics of electricity which cannot be stored once it is produced, we observed that a general mismatch situation can occur between the volume of electricity produced and the demand from purchaser at the time of electricity production. Such mismatches are not limited to cases where the delivered volume of renewable electricity in each time period is variable. It can also arise where the delivered volume is fixed. For example, mismatches can arise between the *fixed* volume of electricity produced from *non-renewable* nuclear generation and the purchaser's actual consumption during the same time period, such as when the purchaser does not require electricity on weekends or evenings.

We believe that addressing the above general mismatches are of equal importance. However, the current proposals limit their scope to renewable energy with variable production volume.

(b) Hedge accounting requirements

4. Similarly, we consider that the current proposed amendments to hedge accounting requirements appear to be more lenient towards specified CREs, while other contracts with similar economics are unable to apply the proposed hedge accounting requirements due to the existing requirements of IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* for those other contracts as highlighted in the [IFRS Interpretation Committee \(IFRS IC\) March 2019 agenda decision](#) (Agenda Decision), which states that entities cannot designate all (or a percentage) of the output/sales in a period as the hedged item due to a lack of required specificity. We consider that the issue addressed in the proposals is essentially the same as the 'load-following swap' issue discussed in the Agenda Decision and so, instead of limiting the scope of the proposals to certain CREs, the IASB should address the broader matter regarding how uncertainty over the timing and magnitude of a forecast transaction affects the '*highly probable*' assessment under IAS 39 and IFRS 9.

(c) Recommendations

5. We are concerned that providing further exceptions to an existing exception in IFRS 9 could have a detrimental impact on comparability and consistency in accounting for contracts with similar economics in financial statements. Therefore, we believe it is necessary for the IASB to reassess the scope of the proposed amendments by adopting a principle-based approach. Accordingly, we recommend that the IASB:
 - (i) broaden the scope of the proposals to include all electricity contracts, regardless of whether the volume of electricity produced is fixed or variable, and whether the source is renewable or non-renewable; and
 - (ii) reconsider the necessity of the '*nature-dependent*' criterion in ED.IFRS 9.6.10.1(a) if the scope is expanded to cover all electricity contracts (see also our responses in paragraphs 8-10).
6. We acknowledge that the Agenda Decision was made based on the relevant accounting standards issued at that time, prior to the proposed changes to hedge accounting requirements in the ED. If the IASB were to proceed with the proposed amendments, it is crucial to avoid any potential confusion for entities when determining how to apply hedge accounting to contracts with similar economics (whether within or outside the scope of the ED). In light of this, we recommend that the IASB conduct a thorough review of the implications of the proposed amendments on the Agenda Decision, and explain their thinking on this issue in the Basis for Conclusions of the amendments.
7. In addition, as the ED only proposes amendments to the hedge accounting requirements in IFRS 9, but not those in IAS 39, we are concerned that not making the corresponding amendments to IAS 39 would exacerbate the lack of comparability between financial statements applying IFRS 9 and IAS 39, given that entities currently are permitted to choose IFRS 9 or IAS 39 for hedge accounting. Accordingly, we recommend that the IASB consider gathering information from preparers in renewable energy industries across various jurisdictions to assess whether at least the majority of entities (if not all) are applying IFRS 9. This would ensure that the amendments can effectively address the stakeholders' needs without unfairly disadvantaging those applying IAS 39. If the IASB maintains its position of not amending IAS 39, we consider that providing a sufficient explanation of its rationale in the Basis for Conclusion would be beneficial.

B. Application of the criteria in ED.IFRS 9.6.10.1(a)-(b)

8. We consider that the meaning of ‘*nature-dependent*’ in ED.IFRS 9.6.10.1(a) is unclear as the ED only provides examples of ‘wind, sun and water’. In addition, ED.BC9 states that biomass energy contracts and ‘some’ hydroelectricity contracts are considered outside the scope of the proposed amendments as they might only have one of the characteristics in ED.IFRS 9.6.10.1. However, the reasons for excluding these contracts are not clearly explained. In particular,
- (a) it is unclear how to determine the types of hydroelectricity that would fall within the proposed scope; and
 - (b) it is arguable that the output of biomass energy could be dependent on nature, e.g. a biomass plant’s catchment area could be destroyed by a wildfire, and so such contracts may be considered as in-scope.
9. The meaning of ‘*nature-dependent*’ is important to the determination of the scope of the proposed amendments. However, the interpretation of the term can be very broad and could lead to varying interpretations. In light of this concern and the difficulties in defining the term precisely, we recommend that the IASB consider whether the scope should focus solely on the criterion in ED.IFRS 9.6.10.1(b) regarding the volume risk associated with the electricity generation, same as what we recommended for a principle-based approach for the proposals in paragraph 5 above.
10. However, if the IASB decides to restrict the scope of the proposals to CREs only and retain ED.IFRS.9.6.10.1(a), we suggest that the IASB clarify the areas in paragraph 8 by providing relevant application guidance with examples to illustrate how the criteria should be applied for different types of CREs (e.g. hydroelectricity contracts).
11. Furthermore, we have the following drafting recommendations to enhance consistency in practical application of the new terms in the ED:
- (a) Define the term ‘*pay-as-produced*’ in Appendix A to IFRS 9 instead of explaining its meaning in the Basis for Conclusions.
 - (b) Refine the phrasing of ‘*net settlement of the difference*’ as the word ‘*difference*’ already implies a net amount.
 - (c) Define the term ‘*referenced production*’, particularly, whether the seller must own, operate or lease the ‘*referenced production facility*’ for the contract to qualify for the exception, or if any production facility can be referenced.

Question 2: Proposed ‘own-use’ requirements

12. We have identified several practice issues and challenges with the proposed ‘own-use’ requirements. Our concerns and recommendations are as follows.
- A. Timing for performing the ‘own-use assessment’ between ED.IFRS 9.6.10.3 and IFRS 9.2.4
13. ED.IFRS 9.6.10.3 set out the factors that entities must consider at inception and at each subsequent reporting date for applying the ‘own-use’ exception under the proposals. The timing of performing the ‘own-use’ assessment appears to be inconsistent with the current requirements in IFRS 9.2.4 which requires *continuous* assessment of the eligibility of ‘own-use’ exception *throughout* the reporting period.
14. We understand that the purpose of the proposals, as explained in ED.BC13, aims to address stakeholders’ concerns regarding contracts to *buy and take delivery* of

renewable electricity, specifically from the *purchaser's* perspective. However, the wording of ED.IFRS 9.6.10.3 seems to imply that *only purchasers* are required to perform the 'own-use' assessment at the inception and subsequent reporting dates. If that is the case, it would grant favourable treatment only to this specific group of stakeholders, as all other contracts outside the scope of the ED would still be required to perform continuous assessment under IFRS 9.2.4.

15. We are of the view that the continuous 'own-use' assessment should apply to all contracts, regardless of their types and whether they are viewed from sellers' or purchasers' perspective. If the contracts do not meet the 'own-use' requirements at any time during the year, they should be immediately accounted for as derivatives measured at fair value through profit or loss to ensure that their nature is faithfully represented in the reporting period.
16. We believe that the IASB did not intend to introduce any inconsistency between IFRS 9.2.4 and ED.IFRS 9.6.10.3, and therefore, the observation made above appears to be a drafting issue. To avoid any confusion and ensure consistent application, we recommend that the IASB clarify whether the assessment in ED.IFRS 9.6.10.3 also requires a continuous assessment, same as that required under IFRS 9.2.4.

B. Interpretation and application of ED.IFRS 9.6.10.3(a)

17. ED.IFRS 9.6.10.3(a) requires entities to assess the purpose, design and structure of the CREs for the purpose of applying IFRS 9.2.4. However, ED.IFRS 6.10.2 explicitly states that the proposed requirements shall *not* be applied by analogy to other contracts, items or transactions. This raises the following questions:
 - (a) Are entities prohibited from considering the purpose, design and structure of all other contracts outside the proposed scope when assessing their eligibility of 'own-use' exception under IFRS 9.2.4?
 - (b) Do entities need to revise their assessments for other contracts outside the proposed scope to exclude the consideration of the purpose, design and structure of those contracts, even if they have already conducted such assessments at contract inception prior to the issuance of this ED?
18. We understand that in practice, entities consider the purpose, design and structure of the contract when applying IFRS 9.2.4 even though there is not any explicit requirement to do so in the current standard. We also believe that the IASB has no intention to disrupt the current practice of assessing the purpose, design and structure of contracts. However, considering the potential impact of the wording in ED.IFRS 9.6.10.3(a), we recommend that the IASB reconsider the appropriateness and necessity of including ED.IFRS 9.6.10.3(a) in the final amendments. If the IASB decides to retain it, we suggest incorporating it as application guidance for IFRS 9.2.4, or refining the wording to ensure that such an assessment is not limited solely to CREs with the specified characteristics.
19. In addition, concerning the application of ED.IFRS 9.6.10.3(a) which requires entities to consider reasonable and supportable information available at the reporting date about expected changes in their purchase or usage requirements for a period *not shorter than 12 months* after the reporting date (*or its normal operating cycle*), we have identified the following questions:
 - (a) Do entities have a choice to consider information beyond 12 months after the reporting date, even if their operating cycles are *not* longer than 12 months?
 - (b) How should entities assess CREs with a remaining duration of less than 12 months after the reporting date, as the requirement seems to imply that the assessment must cover a period not less than 12 months?

20. We consider that the above questions can be addressed by refining the wording in ED.IFRS 9.6.10.3(a). A possible redrafting of the paragraph would be as follows:

‘.....for a period not shorter than 12 months after the reporting date (and based on the entity’s normal operating cycle as described in paragraph B95 of IFRS 18, if it is shorter than 12 months) and that period shall not be longer than the remaining duration of the contract.’

C. Interpretation and application of the three criteria in ED.IFRS 9.6.10.3(b)(i)-(iii)

21. We identified the following practical issues that merit the IASB’s consideration, along with our recommendations:

- (a) A question arises as to whether contracts involving the sales of unused electricity arising from structural imbalances would meet the requirement of ED.IFRS 9.6.10.3(b)(i). Some respondents considered that such contracts may not be eligible for the proposed ‘own-use’ requirements, as structural imbalances, of which the entity is aware (e.g. selling unused electricity generated at night due to inability to use or store it) are *not* volume risk because volume risk should pertain to uncertainties related to weather conditions that the entity cannot predict, e.g. when the sun shines or the wind blows. We consider that the ED is not clear in this aspect and recommend that the IASB explicitly clarify whether ‘structural imbalances’ are within the scope and provide the rationale behind its decision.
- (b) The term ‘*timing or price of the sale*’ in ED.IFRS 9.6.10.3(b)(ii) is considered unclear as to whether an entity can still meet the requirement of aligning with its expected usage requirements if it can affect the price but not the timing of the sale. Furthermore, as electricity cannot be stored after generation, the consideration of ‘*timing*’ may not be relevant.

To avoid confusion, we recommend that the IASB refine the wording as ‘*either the timing or price of the sale*’ to specify that an entity does not meet the criteria if it has the practical ability to affect either the timing or price of the sale.

- (c) The ‘*one month after the sale*’ example provided in ED.IFRS 9.6.10.3(b)(iii) is considered too restrictive in practice. Entities may have practical difficulties in fulfilling this criterion in certain situations, such as temporary factory shutdowns under unforeseeable occasions. Given that the proposed requirement has already required the need for the purchase to be made within a ‘*reasonable*’ time frame, we recommend that the IASB remove the specific ‘*one month*’ example so that entities can apply judgement to determine the reasonable time frame with respect to their own circumstances.

22. Furthermore, a few respondents considered that the three new criteria in ED.IFRS 9.6.10.3(b) are too restrictive and impractical to apply in practice, and were concerned that not many CREs could benefit from the proposals. To help assess if the objective of the proposals can be achieved and identify any unintended consequences that may arise from the proposals, we recommend that the IASB conduct field tests to thoroughly assess the practicability of the three criteria.

D. Drafting comments

23. In addition to the above application questions, we have the following drafting comments and recommendations to enhance consistent application of the ED:
- (a) Relocate the proposed ‘own-use’ requirements in ED.IFRS 9.6.10.1 - 6.10.3

from Chapter 6 to Chapter 2, considering the fact that some preparers are still applying the hedge accounting requirements in IAS 39 and may not have yet applied the hedge accounting requirements in IFRS 9.

- (b) Define the term '*delivery*' in Appendix A to IFRS 9 instead of referring it to an IFRS IC agenda decision as quoted in the Basis for Conclusions.

Question 3: Proposed hedge accounting requirements

24. Some of our respondents are concerned that the proposal in ED.IFRS 9.6.10.6, which requires an entity to measure the hedged item using the same volume assumptions as those used for measuring the hedging instruments, might result in unintended consequences. There is a potential risk of misinterpreting ED.IFRS 9.6.10.6 as a complete exception to Chapter 6.3 of IFRS 9 on requirements for hedged item. Specifically, the proposal in ED.IFRS 9.6.10.6 might be viewed by preparers as a 'free pass' to achieve a 'perfectly effective hedge' by asserting that the only 'mismatch' between the measurement of the hedged item and the hedging instrument is the 'volume mismatch', which they believe can be disregarded under ED.IFRS 9.6.10.6.

We believe that the IASB does not intend for ED.IFRS 9.6.10.6 to be understood as a 'free pass' to achieve a 'perfectly effective hedge'. However, we observed that the proposed amendments are currently located in a 'separate section' wholly under ED.IFRS 9.6.10 without direct linkage to existing hedge accounting requirements. To avoid any confusion and possible risk of misinterpretation by preparers, we recommend that the IASB add a sentence in ED.IFRS 9.6.10.6, emphasising that all other applicable requirements in Chapter 6 of IFRS 9, including the determination of hedge ineffectiveness, continue to apply for hedge accounting for CREs.

25. Concerns have also been raised about the potential implications of the proposals on the accounting for cash flow hedge reserve after the hedge is discontinued. Currently, cash flow hedge reserve is adjusted in accordance with IFRS 9.6.5.11 and subsequently accounted for in accordance with IFRS 9.6.5.12 upon discontinuation of the hedge. However, IFRS 9.6.5.12 was developed for general situations prior to the issuance of this ED, where the hedged item is measured based on the required specificity. It is unclear whether the IASB has considered if IFRS 9.6.5.12 would still be applicable to the new situations arising from the proposals, where the hedged item was measured based on the same variable volume assumption as the hedging instrument applying ED.IFRS 9.6.10.6 prior to the discontinuation.

Accordingly, we recommend the IASB provide application guidance on accounting for cash flow hedge reserve after discontinuation of the hedge, when the hedged item is measured applying ED.IFRS 9.6.10.6. We noted that [the IASB staff paper March 2024 meeting, AP3B \(Appendix\)](#) provides an illustrative example of applying the proposed hedge accounting requirements. We recommend that the IASB build on that example to demonstrate:

- (a) how the proposed requirements interact with IFRS 9.6.5.11 regarding the 'lower' of test for measuring the cash flow hedge reserve; and
- (b) how the cash flow hedge reserve should be accounted for after discontinuation of the hedge when ED.IFRS 9.6.10.6 is applied, and explain the differences, if any, between the proposal and the accounting treatment for general situations.

Question 4: Proposed disclosure requirements

26. While we understand that the proposals aim to address investors' needs in understanding the effects of CREs on entities' financial statements, we have concerns on the following areas of the proposals.
27. Firstly, IFRS 7 currently excludes contracts that apply the 'own-use' exception from its scope based on IFRS 7.5, and so CREs that apply the proposed own-use requirements are also scoped out from IFRS 7. It is therefore illogical to require disclosures of the proposed information in IFRS 7 for such CREs based on the current scoping paragraphs.
28. Secondly, our respondents expressed significant concern on the excessive detail of the proposed disclosures, which would impose onerous burden on preparers. Specifically, we do not support the fair value disclosures under ED.IFRS 7.42T(b)(i). We understand that this ED has been developed based on stakeholders' view that accounting for CREs, which are typically long-term, at fair value does not provide useful information. Therefore, it is counterintuitive that entities applying the 'own-use' exception for CREs are required to perform fair value measurement and disclose the fair value in the financial statements. Furthermore, our respondents have emphasised the practical challenges and judgements involved in determining a reliable fair value for these long-term contracts due to the significant uncertainty arising from the nature-dependent and volume risk adjusted characteristics, and this would likely increase the costs of preparing the fair value disclosures.
29. Thirdly, we question the practicability of applying ED.IFRS 7.42W, which requires an entity to consider an appropriate level of aggregation of details for disclosures. For example, when it comes to aggregate the terms and conditions of the CREs, such as price adjustment clauses and cancellation clauses, under ED.IFRS 7.42T(a), it becomes challenging to determine the appropriate level of aggregation. Furthermore, the aggregated information may not be meaningful to the users due to the lack of necessary details.
30. In light of the above concerns, we recommend that the IASB:
- (a) amend the scope of IFRS 7 to include CREs with the characteristics specified in the amendments. We also suggest that the proposed disclosures should only apply to contracts that qualify for and have applied the proposed 'own-use' exception, so that they would not be applicable to CREs that are measured at fair value under IFRS 9.2.5;
 - (b) remove the fair value disclosure requirements in ED.IFRS 7.42T(b)(i); and
 - (c) conduct field tests with preparers in industries that have contracts within the scope of the ED to ensure that the proposed disclosures are practical and useful, and that the associated costs of implementation do not outweigh the benefits.

Question 5: Proposed disclosure requirements for subsidiaries without public accountability

31. We noted that the IASB decided to require an entity applying IFRS 19 to disclose the same information for its CREs as those entities applying the proposed amendments to IFRS 7. That means no reduction in disclosures for eligible subsidiaries. Accordingly, our responses to Question 4 above equally apply to this question.

Question 6: Transition requirements

32. We disagree with the proposed transition requirements in ED.IFRS 9.7.2.51 which permits early application of the amendments from the date when the amendments are issued. Since the IASB plans to issue the amendment in Q4 2024, we are concerned that entities could apply hindsight until 31 December 2024 (assuming December year-end) to determine whether to adopt the amendments for the year. This essentially allows entities to engage in 'earnings management' as they could restate their financial statements recorded from the beginning of the current reporting period up to the date of applying the amendments, which would in turn undermine the integrity and comparability of financial reporting. To address this issue, we recommend modifying the transition requirements to require that any early adoption of the amendments must take place at the beginning of the first reporting period after the amendments are issued.
33. In addition, we have identified the following areas of the proposed transition requirements which require the IASB's clarification:
- (a) A practice issue arises with ED.IFRS 9.7.2.52, which permits an entity to *'change the designation of the hedged item in a cash flow hedging relationship that was designated before the date the amendments are first applied'* upon the transition. Considering that a hedged item, such as forecast sale or purchase transaction with a fixed volume could have characteristics fundamentally different from the one with variable volume, it is unclear how an entity should apply the transition requirements to re-designate the hedged item without discontinuing the hedge as permitted under the ED.

To ensure consistent application of this transition requirement, we recommend that the IASB provide guidance that illustrates how an entity should apply the proposed hedge accounting on transition when it changes the designation of the hedged item (e.g. changing the hedged forecast purchase transaction from a fixed volume to a variable volume) without the need to discontinue the hedging relationship.

- (b) While we believe that there is no change to the requirements in IFRS 9.2.5 as a result of the ED, some respondents interpret the wording of the proposals as compelling all CREs with specified characteristics to apply the 'own-use' exception, even if they were previously accounted for at fair value under IFRS 9.2.5. To avoid any misinterpretation, we recommend that the IASB clarify in the final amendments that contracts within the scope of the proposals can still be accounted for at fair value through profit or loss if the requirements in IFRS 9.2.5 are met.

Question 7: Effective date

34. In respect of setting an effective date of 1 January 2025, we have concerns about the practicability of completing the implementation by that date, especially if the final amendments are planned to be issued towards the end of 2024. We recommend setting the effective date for 1 January 2026, with early adoption permitted. This would provide entities with sufficient time to ensure proper implementation of the requirements, while also allowing those entities which are already prepared to adopt the amendments earlier based on their specific needs and capabilities.

~ End ~