EXTERNAL REPORTING BOARD
Te Kāwai Ārahi Pūrongo Mōwaho

NZ ACCOUNTING STANDARDS BOARD

2017 Omnibus Amendments to NZ IFRS

This Standard was issued on 9 November 2017 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 7 December 2017.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in Part E.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to make minor amendments to NZ IFRS.

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Part A

Introduction

This Standard amends NZ IFRS applied by Tier 1 and Tier 2 for-profit entities as follows.

(a) It amends NZ IFRS 10 *Consolidated Financial Statements* to require the ultimate New Zealand parent entity to present consolidated financial statements in accordance with that Standard (except where the parent is an investment entity).

(b) It amends NZ IAS 28 *Investments in Associates and Joint Ventures* to require the ultimate New Zealand parent entity to apply the equity method when accounting for investments in associates and joint ventures (except where the parent is an investment entity).

(c) It amends NZ IFRS 4 *Insurance Contracts* to:

   (i) align the definition of "separate financial statements" in Appendix C and Appendix D with the amended definition in NZ IAS 27 *Separate Financial Statements*; and

   (ii) amend the wording in paragraph 10.7(a) of Appendix C to correctly refer to the standards that define subsidiaries, joint ventures and associates.

(d) It deletes most of the paragraphs in Appendix E *New Zealand-specific Additional Disclosure Requirements Applicable to NBDTs*[1] of NZ IFRS 7 *Financial Instruments: Disclosures.* These paragraphs are now redundant because of NZ IFRS 9 *Financial Instruments*.

(e) It amends FRS-43 *Summary Financial Statements* to align the titles of the financial statements with the wording in NZ IAS 1 *Presentation of Financial Statements* and removes wording that is no longer relevant.

(f) It makes editorial corrections to various standards.

[1] NBDTs – Non-bank deposit takers.

Scope

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

Part B: Amendments to NZ IFRS 10 and NZ IAS 28

NZ IFRS 10 *Consolidated Financial Statements*

Paragraphs NZ 4.2 and NZ C1D.1 are added.

Scope

…

NZ 4.2 Notwithstanding paragraphs 4(a)–(iv) and paragraph RDR 4.1, the ultimate New Zealand parent shall present consolidated financial statements that consolidate its investments in subsidiaries in accordance with this Standard, except where the ultimate New Zealand parent is required, in accordance with paragraph 31 of this Standard, to measure all of its subsidiaries at fair value through profit or loss.

Effective date

NZ C1D.1 *2017 Omnibus Amendments to NZ IFRS*, issued in November 2017, added paragraph NZ 4.2. An entity shall apply that amendment for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

NZ IAS 28 *Investments in Associates and Joint Ventures*

Paragraphs NZ 17.2 and NZ 45E.1 are added.

Exemptions from applying the equity method

NZ 17.2 Notwithstanding paragraphs 17(a)–(d) and paragraph RDR 17.1, the ultimate New Zealand parent shall apply the equity method in accounting for interests in associates and joint ventures in accordance with this Standard, except if the ultimate New Zealand parent is required by paragraph 31 of NZ IFRS 10 to measure all of its subsidiaries at fair value through profit or loss.

Effective date and transition

NZ 45F.1 *2017 Omnibus Amendments to NZ IFRS*, issued in November 2017, added paragraph NZ 17.2. An entity shall apply that amendment for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Part C: Amendments to other standards

NZ IFRS 4 *Insurance Contracts*

Paragraph NZ 41I.1 is added.

Effective date and transition

…

NZ 41I.1 *2017 Omnibus Amendments to NZ IFRS*, issued in November 2017 amended paragraph 10.7 and the definition of separate financial statements in paragraph 20.1 of Appendix C and the definition of separate financial statements in paragraph 19.1 of Appendix D. An entity shall apply those amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

…

Appendix C

Paragraph 10.7 and the definition of separate financial statements in paragraph 20.1 are amended. New text is underlined and deleted text is struck through.

Separate financial statements

10.7 When preparing *separate financial statements*, those investments in subsidiaries, joint ventures and associates that:

(a) are defined by ~~NZ IAS 27 *Separate Financial Statements*~~ <u>NZ IFRS 10 *Consolidated Financial Statements*, NZ IFRS 11 *Joint Arrangements* and NZ IAS 28 *Investments in Associates and Joint Ventures*</u>;

(b) …

Definitions

20.1 In this Appendix:

separate financial statements	~~means~~ <u>are</u> those presented by <u>an entity</u> ~~a parent~~ in which <u>the entity could elect, subject to the requirements in NZ IAS 27 *Separate Financial Statements*, to account for</u> its investments <u>in subsidiaries, joint ventures and associates either at cost, in accordance with NZ IFRS 9 *Financial Instruments*, or using the</u> ~~are accounted for on the basis of the direct~~ equity <u>method as described in NZ IAS 28 *Investments in Associates and Joint Ventures*</u> ~~interest rather than on the basis of the reported results and net assets of the investees~~.

Appendix D

The definition of "separate financial statements" in paragraph 19.1 is amended. New text is underlined and deleted text is struck through.

…

Definitions

19.1 In this Appendix:

separate financial statements	~~means~~ are those presented by an entity ~~a parent~~ in which the entity could elect, subject to the requirements in NZ IAS 27 *Separate Financial Statements*, to account for its investments in subsidiaries, joint ventures and associates either at cost, in accordance with NZ IFRS 9 *Financial Instruments*, or using the ~~are accounted for on the basis of the direct~~ equity method as described in NZ IAS 28 *Investments in Associates and Joint Ventures* ~~interest rather than on the basis of the reported results and net assets of the investees~~.

NZ IFRS 7 *Financial Instruments: Disclosures*

Paragraph NZ 44DD.1 is added.

Effective date and transition

…

NZ 44DD.1 *2017 Omnibus Amendments to NZ IFRS*, issued in November 2017, amended paragraphs E1 and E14 and deleted paragraphs E2.1–E10, E15– E22, E24 and the definitions of 'financial asset acquired through the enforcement of security', 'other individually impaired asset', 'restructured asset' and '90-day past due asset' in paragraph E23. An entity shall apply those amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

Paragraphs E11 and E12 of Appendix E are kept and paragraphs E1 and E14 are amended. All other paragraphs are deleted. New text is underlined and deleted text is struck through.

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 an *NBDT* applying this Standard to present disclosures in its financial statements that provide a transparent reporting of its risks due to concentrations of credit exposure and funding, and counterparty risk consistent with New Zealand's regulatory framework for NBDTs.

Scope

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

E2.1–E10 [Deleted] ~~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, an 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 [Deleted] ~~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~~a~~n NBDT shall disclose, by class of financial instrument, 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–E22 [Deleted] ~~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 ~~a~~<u>Appendix</u> 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 [Deleted] ~~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

The Basis for Conclusions is deleted.

[Deleted]~~*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

The Table of Concordance is deleted.

[Deleted]~~*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~~

FRS-43 *Summary Financial Statements*

Paragraph 10 is amended (new text is underlined and deleted text is struck through). Paragraph 43E is added.

Components of summary financial statements

…

10. Summary financial statements shall include a summary of the:

(a) …

(b) ~~statement of comprehensive income for the period~~ <u>statement of profit or loss and other comprehensive income for the period</u>;

(c) statement of the changes in equity ~~(or a statement of recognised income and expense)~~ for the period; and

(d) statement of cash flows for the period ~~(if not exempted)~~.

...

Effective date

…

43E *2017 Omnibus Amendments to NZ IFRS*, issued in November 2017, amended paragraph 10. An entity shall apply that amendment for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

Part D: Editorial Corrections

These amendments result from minor editorial changes identified by the NZASB and the IASB.

New text is underlined and deleted text is struck through.

Standard	Paragraph	Amendment
NZ IFRS 1	B8D	An entity shall apply the impairment requirements in Section 5.5 of NZ IFRS 9 retrospectively subject to paragraphs B8E–B8G and E1–E2.~~7.2.15 and 7.2.18–7.2.20 of that NZ IFRS.~~
	B12	The requirements and guidance in paragraphs B10 and B11 do not preclude an entity from being able to use the exemptions described in paragraph D19–D19~~D~~C relating to the designation of previously recognised financial instruments at fair value through profit or loss.
NZ IFRS 17	97(b)	whether it makes an adjustment for the time value of money and the effect of financial risk applying paragraphs 56, ~~and~~ 57(b) and 59(b); and
NZ IFRS 17 consequential amendments to NZ IAS 32	97T	NZ IFRS 17, issued in August 2017, amended paragraphs 4, ~~and~~ AG8 and AG36, and added paragraph 33A. An entity shall apply those amendments when it applies NZ IFRS 17.
	Instructions below 97T	In the Application Guidance, paragraphs AG8 and AG36, and the heading preceding paragraph AG36 are~~is~~ amended. New text is underlined and deleted text is struck through.
	AG36 added as an amendment	**Treasury shares ~~(paragraphs 33 and 34)~~ (paragraphs 33–34)** AG36 An entity's own equity instruments are not recognised as a financial asset regardless of the reason for which they are reacquired. Paragraph 33 requires an entity that reacquires its own equity instruments to deduct those equity instruments from equity (but see also paragraph 33A). However, when an entity holds its own equity on behalf of others, eg a financial institution holding its own equity on behalf of a client, there is an agency relationship and as a result those holdings are not included in the entity's statement of financial position.
NZ IAS 26	NZ 5.1	Superannuation schemes that are ~~not issuers as defined by section 4 of the Financial Reporting Act 1993~~ approved as Schedule 3 Schemes under the Financial Markets Conduct Act 2013 ~~and with membership at the end of the reporting period consisting of one person, or two persons~~ where each member is able to obtain special purpose financial information that meets their needs are not required to comply with this Standard. Superannuation schemes using paragraph NZ 1.5 will not be able to assert compliance with International Financial Reporting Standards.
NZ IAS 37	52	… Instead, an entity recognises gains on expected disposals of assets at the time specified by the Standard ~~New Zealand International Accounting Standard~~ dealing with the assets concerned.

Standard	Paragraph	Amendment
NZ IAS 38	Numbering changed	~~129–132~~ ~~[Paragraphs 129 to 132 of IAS 38 are not reproduced. The transitional provisions in IAS 38 are not relevant to the adoption of this Standard. Paragraph 132 establishes the effective date of NZ IAS 38].~~ 129–130 [Deleted] ~~132~~130A This Standard becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. … ~~132A~~130B NZ IAS 1 *Presentation of Financial Statements*... ~~132B~~130C NZ IFRS 3 (as revised in 2008) amended paragraphs… ~~132C~~130D Paragraphs 69, 70 and 98 were amended… ~~132D~~130E [Deleted by IASB] ~~132E~~130F NZ IFRS 10 and NZ IFRS 11… ~~132F~~130G NZ IFRS 13, issued in June 2011,... NZ ~~132F.1~~130G.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued… ~~132G~~130H *Annual Improvements to NZ IFRSs 2012-2012 Cycle*, issued… ~~132H~~130I An entity shall apply the amendment made by *Annual Improvements*… ~~132I~~130J *Clarification of Acceptable Methods of Depreciation and Amortisation*… ~~132J~~130K NZ IFRS 15 *Revenue from Contracts with Customers*… 131–132 [Deleted] ~~132~~ ~~This Standard becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. Early adoption of this Standard is permitted only when an entity complies 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.~~
FRS-44	2A	An entity is required to comply with only paragraphs ~~6~~, 7, 11.1 and 11.2 when preparing condensed interim financial reports.

References to "New Zealand Equivalents to International Financial Reporting Standards" and "New Zealand Equivalents to IFRSs" to be changed to "NZ IFRS(s)"

New Zealand equivalents to International Financial Reporting Standards and New Zealand equivalents to IFRSs is changed to NZ IFRS(s), as appropriate, in the following standards:

NZ IFRS 4 *Insurance Contracts*	Introduction to Appendix C and Appendix D
NZ IFRS 10 *Consolidated Financial Statements*	Paragraph 4(a)(iv)
NZ IAS 1 *Presentation of Financial Statements*	Paragraph 2
NZ IAS 12 *Income Taxes*	Paragraphs 62 and 62A
NZ IAS 16 *Property, Plant and Equipment*	Paragraph 6, definition of 'cost'
NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*	Paragraph 6
NZ IAS 24 *Related Party Disclosures*	Paragraph IN1
NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*	Paragraph 2
NZ IAS 27 *Separate Financial Statements*	Paragraph 16(a)
NZ IAS 28 *Investments in Associates and Joint Ventures*	Paragraph IN1
NZ IAS 34 *Interim Financial Reporting*	Paragraph 1
NZ IAS 38 *Intangible Assets*	Paragraph 8, definition of 'cost'
NZ IAS 40 *Investment Property*	Paragraph 5, definition of 'cost'
NZ IAS 41 *Agriculture*	Paragraphs 3 and 13
FRS-42 *Prospective Financial Statements*	Paragraph 34
FRS-43 *Summary Financial Statements*	Introduction and paragraph 1
FRS-44 *New Zealand Additional Disclosures*	Paragraph 1
NZ IFRIC 17 *Distributions of Non-cash Assets to Owners*	Paragraph 2
NZ SIC-29 *Service Concession Arrangements: Disclosures*	Paragraph 5 (twice)

Part E: Effective Date

Part B: Amendments to NZ IFRS 10 *Consolidated Financial Statements* and NZ IAS 28 *Investments in Associates and Joint Ventures* are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Part C: Amendments to other standards are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

Part D: Editorial corrections are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.