Enterprise Accounting Standard No. 37 - Presentation of Financial Instruments (Cai Kuai [2017] No. 14)

Chapter 1 General Provisions

Article 1 This Standard is formulated in accordance with the Enterprise Accounting Standard - Basic Standard to prescribe the presentation of financial instruments.

The presentation of financial instruments includes the display and disclosure of financial instruments.

Article 2 Information on the presentation of financial instruments shall assist users of financial statements in understanding the classification, measurement, and presentation of financial instruments issued by the enterprise, as well as the financial assets held and financial liabilities undertaken by the enterprise. It shall also enable users to make reasonable assessments of the significance of financial instruments' impact on the enterprise's financial position and operating results, the nature and extent of risks faced by the enterprise during the reporting period and at the end of the period due to financial instruments, and how the enterprise manages these risks.

Article 3 This Standard applies to all types of financial instruments of all enterprises, except for the following items, which are governed by other accounting standards:

(1) Investments in subsidiaries, joint ventures, and associates governed by Enterprise Accounting Standard No. 2 - Long-term Equity Investments, Enterprise Accounting Standard No. 33 - Consolidated Financial Statements, and Enterprise Accounting Standard No. 40 - Joint Arrangements. Their disclosure is governed by Enterprise Accounting Standard No. 41 - Disclosure of Interests in Other Entities. However, derivative instruments held by the enterprise that are linked to interests in subsidiaries, joint ventures, or associates are governed by this Standard.

Investments in associates or joint ventures accounted for in accordance with the relevant provisions of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments, and investments in subsidiaries measured at fair value with changes in fair value recognized in profit or loss in accordance with Enterprise Accounting Standard No. 33 - Consolidated Financial Statements, where the enterprise meets the definition of an investment entity under that Standard, are governed by this Standard.

(2) Rights and obligations arising from employee benefit plans governed by Enterprise Accounting Standard No. 9 - Employee Compensation are governed by Enterprise Accounting Standard No. 9 - Employee Compensation.

(3) Financial instruments and other contracts and obligations involved in share-based payments governed by Enterprise Accounting Standard No. 11 - Share-based Payment are governed by Enterprise Accounting Standard No. 11 - Share-based Payment. However, contracts to buy or sell non-financial items within the scope of this Standard, and treasury shares issued, repurchased, sold, or cancelled by the enterprise in relation to share-based payments, are governed by this Standard.

(4) Debt restructurings governed by Enterprise Accounting Standard No. 12 - Debt Restructuring are governed by Enterprise Accounting Standard No. 12 - Debt Restructuring. However, disclosures involving the transfer of financial assets in debt restructurings are governed by this Standard.

(5) Contractual rights and obligations that are financial instruments and are governed by Enterprise Accounting Standard No. 14 - Revenue are governed by Enterprise Accounting Standard No. 14 - Revenue. Contractual rights for which Enterprise Accounting Standard No. 14 - Revenue requires the recognition and measurement of impairment losses and gains on such rights to be accounted for in accordance with Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments are governed by the credit risk disclosure provisions of this Standard.

(6) Rights and obligations arising from insurance contracts governed by accounting standards for insurance contracts are governed by those standards.

Rights and obligations arising from contracts governed by accounting standards for insurance contracts due to discretionary participation features are governed by those standards. However, for derivative instruments embedded in insurance contracts, if the embedded derivative itself is not an insurance contract, this Standard applies; if the embedded derivative itself is an insurance contract, the accounting standards for insurance contracts apply.

Financial guarantee contracts that the enterprise chooses to account for in accordance with Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments are governed by this Standard; financial guarantee contracts that the enterprise chooses to account for in accordance with accounting standards for insurance contracts are governed by those standards.

Article 4 This Standard applies to contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments. However, contracts that are entered into and held for the purpose of the receipt or delivery of non-financial items in accordance with the enterprise's expected purchase, sale, or usage requirements are governed by other relevant accounting standards, unless the enterprise designates such contracts as financial assets or financial liabilities at fair value through profit or loss in accordance with Article 8 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments, in which case this Standard applies.

Article 5 The provisions of Chapter 6 to Chapter 8 of this Standard apply not only to financial instruments that the enterprise has recognized in accordance with Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments, but also to unrecognized financial instruments.

Article 6 For transactions or events involving income tax under this Standard, they shall be handled in accordance with Enterprise Accounting Standard No. 18 - Income Tax.

Chapter 2 Distinction between Financial Liabilities and Equity Instruments

Article 7 An enterprise shall classify a financial instrument or its components as a financial asset, financial liability, or equity instrument upon initial recognition based on the contractual terms of the financial instrument issued and the economic substance of those terms, rather than merely their legal form, considering the definitions of financial assets, financial liabilities, and equity instruments.

Article 8 A financial liability is any liability that meets one of the following conditions:

(1) A contractual obligation to deliver cash or another financial asset to another party.

(2) A contractual obligation to exchange financial assets or financial liabilities with another party under potentially unfavorable conditions.

(3) A non-derivative contract that will or may be settled in the enterprise's own equity instruments, and under which the enterprise is obliged to deliver a variable number of its own equity instruments.

(4) A derivative contract that will or may be settled in the enterprise's own equity instruments, except for a derivative contract that involves the exchange of a fixed number of the enterprise's own equity instruments for a fixed amount of cash or another financial asset. Rights, options, or warrants issued by an enterprise to all existing holders of the same class of non-derivative own equity instruments on a pro rata basis, entitling them to acquire a fixed number of the enterprise's own equity instruments for a fixed amount of any currency, shall be classified as equity instruments. For this purpose, the enterprise's own equity instruments do not include instruments that are themselves required to be classified as equity instruments under Chapter 3 of this Standard, nor do they include contracts that themselves require the future receipt or delivery of the enterprise's own equity instruments.

Article 9 An equity instrument is any contract that evidences a residual interest in the assets of an enterprise after deducting all its liabilities. A financial instrument issued by an enterprise that meets both of the following conditions meets the definition of an equity instrument and shall be classified as an equity instrument:

(1) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another party, or to exchange financial assets or financial liabilities with another party under potentially unfavorable conditions;

(2) The financial instrument will or may be settled in the enterprise's own equity instruments. If it is a non-derivative instrument, the financial instrument includes no contractual obligation to deliver a variable number of its own equity

instruments for settlement. If it is a derivative instrument, it can be settled only by the enterprise exchanging a fixed number of its own equity instruments for a fixed amount of cash or another financial asset. The enterprise's own equity instruments do not include instruments that are themselves required to be classified as equity instruments under Chapter 3 of this Standard, nor do they include contracts that themselves require the future receipt or delivery of the enterprise's own equity instruments.

Article 10 If an enterprise does not have an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, that contractual obligation meets the definition of a financial liability. Some financial instruments may indirectly establish a contractual obligation through terms and conditions that do not explicitly include an obligation to deliver cash or another financial asset.

If a financial instrument will or may be settled in the enterprise's own equity instruments, it is necessary to consider whether the enterprise's own equity instruments to be used for settlement are being used as a substitute for cash or another financial asset, or to enable the holder to enjoy a residual interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, it is an equity instrument of the issuer. In some cases, a financial instrument contract requires or permits settlement in the enterprise's own equity instruments, where the amount of the contractual right or obligation is equal to the number of own equity instruments to be received or delivered multiplied by their fair value at the time of settlement. Then, regardless of whether the amount of the contractual right or obligation is fixed, or varies fully or partly based on changes in variables other than the market price of the enterprise's own equity instruments (e.g., interest rates, the price of a commodity, or the price of a financial instrument), the contract shall be classified as a financial liability.

Article 11 Except for financial instruments classified as equity instruments under Chapter 3 of this Standard, if a contract imposes an obligation on the issuer to repurchase its own equity instruments for cash or another financial asset, even if the issuer's repurchase obligation is contingent on the counterparty exercising a put option, the issuer shall recognize that obligation as a financial liability at initial recognition, measured at the present value of the amount required to repurchase (e.g., the present value of the forward repurchase price, the exercise price of the option, or the present value of other put amounts). If the issuer ultimately does not need to repurchase its own equity instruments for cash or another financial asset, it shall reclassify that financial liability to equity at its carrying amount when the contract matures.

Article 12 For financial instruments with contingent settlement provisions, if the issuer cannot avoid settlement in cash or another financial asset, or in another way that would give rise to a financial liability, the instrument shall be classified as a financial liability. However, the issuer shall classify the instrument as an equity instrument if it meets any of the following conditions:

(1) The contingent settlement provision requiring settlement in cash or another financial asset, or in another way that would give rise to a financial liability, is not genuine, i.e., the relevant circumstances are extremely rare, highly abnormal, and unlikely to occur.

(2) Settlement in cash or another financial asset, or in another way that would give rise to a financial liability, is required only upon the liquidation of the issuer.

(3) The instrument is a puttable instrument classified as an equity instrument under Chapter 3 of this Standard.

A financial instrument with contingent settlement provisions is one for which the method of settlement—whether in cash or another financial asset, or in another way that would give rise to a financial liability—depends on the occurrence or non-occurrence of uncertain future events (e.g., stock index, consumer price index changes, interest rate or tax law changes, the issuer's future revenue, net income, or debt-to-equity ratio, etc.), or the outcome of such events, that are beyond the control of both the issuer and the holder.

Article 13 For derivative instruments with settlement options (e.g., derivatives that provide the issuer or holder with a choice of settlement methods, such as net cash or an exchange of shares for cash), the issuer shall recognize them as financial assets or financial liabilities, unless all possible settlement methods would result in the derivative being classified as an equity instrument.

Article 14 An enterprise shall assess non-derivative instruments it issues to determine whether they are compound financial instruments. A non-derivative instrument issued by an enterprise may contain both a financial liability component and an equity instrument component. For a compound financial instrument, the issuer shall classify the components separately as financial liabilities, financial assets, or equity instruments at initial recognition.

If a non-derivative instrument issued by an enterprise contains both a financial liability component and an equity instrument component, the enterprise shall measure the liability component at its fair value at initial measurement (including the fair value of any non-equity embedded derivative), and assign the residual value to the equity instrument component. If the compound financial instrument contains a non-equity embedded derivative, the fair value of that embedded derivative shall be included in the fair value of the financial liability component, and the financial liability component shall be accounted for in accordance with Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments.

Article 15 When classifying financial instruments (or their components) in consolidated financial statements, an enterprise shall consider all terms and conditions agreed between members of the group and holders of the instrument. If the group as a whole has an obligation to settle in cash or another financial asset, or in another way that would give rise to a financial liability, the instrument shall be classified as a financial liability in the consolidated financial statements of the group.

Chapter 3 Distinction of Particular Financial Instruments

Article 16 A puttable instrument that meets the definition of a financial liability but has all the following characteristics shall be classified as an equity instrument:

(1) It entitles the holder to a pro rata share of the entity's net assets upon liquidation. The net assets referred to are the remaining assets after deducting all claims senior to the instrument; the pro rata share is determined by dividing the net assets into units of equal amount and multiplying the unit amount by the number of units held.

(2) The instrument is in the class of instruments that is subordinate to all other classes of instruments, meaning it does not need to be converted into another instrument before it is in the class, and it has no priority in liquidation over other instruments.

(3) All instruments in the class (which is subordinate to all other classes) have identical features (e.g., they must all be puttable, and the formula or other method used to calculate the repurchase or redemption price is the same).

(4) Apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not meet any other characteristic of the definition of a financial liability in this Standard.

(5) The total expected cash flows of the instrument over its life are based substantially on the profit or loss of the entity, changes in recognized net assets, or changes in the fair value of recognized and unrecognized net assets over the life of the instrument (excluding any effects of the instrument).

A puttable instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset, or is automatically put back to the issuer upon the occurrence of an uncertain future event, the death or retirement of the holder.

Article 17 An instrument that meets the definition of a financial liability but has all the following characteristics, and imposes on the issuer an obligation to deliver a pro rata share of its net assets only upon liquidation, shall be classified as an equity instrument:

(1) It entitles the holder to a pro rata share of the entity's net assets upon liquidation;

(2) The instrument is in the class of instruments that is subordinate to all other classes of instruments;

(3) For all instruments in the class (which is subordinate to all other classes), the issuer has an identical contractual

obligation to deliver a pro rata share of its net assets upon liquidation for each instrument.
The liquidation that gives rise to the obligation is certain to occur and is not within the control of the issuer (e.g., the issuer has a limited life), or the occurrence of liquidation depends on the holder of the instrument.
Article 18 For a puttable instrument classified as an equity instrument, or an instrument that imposes an obligation to deliver a pro rata share of net assets only upon liquidation, in addition to having the characteristics described in Article 16 or Article 17 of this Standard, the issuer must not have any other financial instrument or contract that has both of the following characteristics:
(1) Its total cash flows are based substantially on the profit or loss of the entity, changes in recognized net assets, or changes in the fair value of recognized and unrecognized net assets (excluding any effects of the instrument or contract);
(2) It effectively restricts or fixes the residual return to the holders of the instrument described in Article 16 or Article 17.
In applying the above conditions, non-financial contracts entered into between the issuer and the holders of the instrument described in Article 16 or Article 17 should not be considered if their terms and conditions are similar to those that the issuer might enter into with other parties. If this judgment cannot be made, the instrument shall not be classified as an equity instrument.
Article 19 A financial instrument classified as an equity instrument in accordance with this Chapter shall be reclassified as a financial liability from the date it no longer has the characteristics described in Article 16 or Article 17 of this Standard, or the issuer no longer meets the conditions in Article 18 of this Standard. It shall be measured at fair value at the reclassification date, and the difference between the carrying amount of the equity instrument and the fair value of the financial liability shall be recognized in equity.
A financial instrument classified as a financial liability in accordance with this Chapter shall be reclassified as an equity instrument from the date it has the characteristics described in Article 16 or Article 17 of this Standard and the issuer meets the conditions in Article 18 of this Standard. It shall be measured at the carrying amount of the financial liability at the reclassification date.
Article 20 For financial instruments issued by an enterprise that meet the conditions in this Chapter for classification as equity instruments, the portion corresponding to non-controlling interests in the consolidated financial statements of the group shall be classified as a financial liability.
Chapter 4 Income and Treasury Shares
Article 21 If a financial instrument or a component thereof is a financial liability, related interest, dividends (or distributions), gains or losses, and gains or losses on redemption or refinancing shall be recognized in profit or loss.
Article 22 If a financial instrument or a component thereof is an equity instrument, its issuance (including refinancing), repurchase, sale, or cancellation shall be treated as a change in equity. The issuer shall not recognize changes in the fair value of equity instruments.
Distributions to holders of equity instruments shall be treated as distributions of profit. Distributions of stock dividends do not change the total equity of the issuer.
Article 23 Transaction costs related to equity transactions shall be deducted from equity.
Transaction costs incurred by an enterprise in issuing or acquiring its own equity instruments (e.g., registration fees, underwriting fees, legal, accounting, valuation and other professional service fees, printing costs, and stamp duty) that are directly attributable to the equity transaction shall be deducted from equity. Transaction costs related to an abandoned equity transaction shall be recognized in profit or loss.
Article 24 Transaction costs incurred in issuing a compound financial instrument shall be allocated between the financial liability component and the equity instrument component in proportion to the allocation of the total issuing price. Common transaction costs related to multiple transactions shall be allocated among the transactions on a

reasonable basis, using a method consistent with that used for other similar transactions.
Article 25 Dividends paid on financial instruments classified as financial liabilities by the issuer shall be recognized as an expense in the income statement, combined with interest expense on other liabilities, and disclosed separately in the notes to the financial statements.
Transaction costs deducted from equity shall be disclosed separately in the notes to the financial statements.
Article 26 The consideration and transaction costs paid to repurchase own equity instruments (treasury shares) shall reduce equity. No financial asset shall be recognized. Treasury shares may be repurchased and held by the enterprise itself or by other entities within the scope of the group's consolidated financial statements.
Article 27 An enterprise shall present the amount of treasury shares held separately in the balance sheet in accordance with Enterprise Accounting Standard No. 30 - Presentation of Financial Statements.
If an enterprise repurchases its own equity instruments from related parties, it shall also make relevant disclosures in accordance with Enterprise Accounting Standard No. 36 - Disclosure of Related Party Relationships and Transactions.
Chapter 5 Offset of Financial Assets and Financial Liabilities
Article 28 Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset. However, if both of the following conditions are met, they shall be presented net in the balance sheet:
(1) The enterprise has a legally enforceable right to set off the recognized amounts; and
(2) The enterprise intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.
For a transfer of a financial asset that does not qualify for derecognition, the transferor shall not offset the transferred asset and the associated liability.
Article 29 A right of set-off is a debtor's legal right, by contract or otherwise, to settle or eliminate all or part of an amount due to a creditor by applying an amount due from the creditor. In some cases, a debtor may have a legal right to set off an amount due to a creditor against an amount due from a third party if the debtor, creditor, and third party have entered into an agreement that clearly establishes the debtor's right of set-off and that right is not contingent on a future event and is enforceable in the normal course of business, and in the event of default, insolvency, or bankruptcy of the enterprise or the counterparty.
Article 30 The right of set-off must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency, or bankruptcy of the enterprise or the counterparty.
In determining whether a right of set-off is enforceable, the enterprise shall consider all relevant factors, including laws, regulations, and contractual terms.
Article 31 A currently enforceable right of set-off is not sufficient to justify offsetting; if the enterprise does not intend to exercise the right (i.e., to settle net) and does not intend to settle the asset and liability simultaneously, the financial asset and financial liability shall not be offset.
In the absence of a legal right of set-off, the financial asset and financial liability shall not be offset, even if the enterprise or both parties intend to settle on a net basis or simultaneously.
Article 32 If an enterprise settles a financial asset and a financial liability simultaneously, and the settlement method is equivalent to net settlement, it meets the criterion in Article 28(2) of this Standard for settlement on a net basis. Such a settlement process must handle the related receivables and payables in the same settlement process or cycle, ultimately eliminating or almost eliminating credit risk and liquidity risk. A settlement method has the following characteristics may be considered to meet the net settlement criterion:
(1) The financial assets and financial liabilities that qualify for offsetting are submitted for processing at the same point in time;
(2) Once submitted, the parties are committed to fulfill the settlement obligations;
(3) Once submitted, the cash flows resulting from these assets and liabilities cannot change unless processing fails;
(4) For financial assets and financial liabilities collateralized by securities, settlement is through a securities settlement

system or similar mechanism (e.g., delivery versus payment), meaning that if the delivery of securities fails, the processing of the related receivables or payables collateralized by the securities will also fail, and vice versa;
(5) If a failed transaction as described in (4) occurs, it will be re-entered into the processing system until settlement is completed;
(6) It is executed by the same settlement institution;
(7) There is sufficient intraday credit available and ensured to be fulfilled upon application to support the parties' payment processing on the settlement date.
Article 33 In the following circumstances, it is generally considered that the conditions in Article 28 of this Standard are not met, and the related financial assets and financial liabilities shall not be offset:
(1) Using several different financial instruments to emulate the features of a single financial instrument (i.e., a synthetic instrument). For example, using a floating rate long-term bond and an interest rate swap that receives floating interest and pays fixed interest to synthesize a fixed rate long-term liability.
(2) Financial assets and financial liabilities that have the same primary risk exposure (e.g., assets and liabilities in a forward contract or other derivative combination) but involve different counterparties.
(3) Non-recourse financial liabilities and the financial assets or other assets that serve as their collateral.
(4) Financial assets placed in trust by a debtor to settle a specific liability (e.g., a sinking fund or similar arrangement), but the creditor has not yet accepted these assets in settlement of the liability.
(5) Obligations arising from loss events that are expected to be recovered from a third party through insurance contracts.
Article 34 When an enterprise enters into multiple financial instrument transactions with the same counterparty, it may enter into a master netting agreement with that counterparty. Financial assets and financial liabilities under a master netting agreement can be offset only if the conditions in Article 28 of this Standard are met.
A master netting agreement is an agreement that provides for the net settlement of all financial instruments covered by the agreement in the event of default on or termination of any one contract.
Article 35 An enterprise shall distinguish between the offset of financial assets and financial liabilities and their derecognition. Offsetting financial assets and financial liabilities and presenting them net in the balance sheet should not result in gains or losses; derecognition removes the related financial asset or financial liability from the items presented in the balance sheet and may result in gains or losses.
Chapter 6 Presentation of the Effects of Financial Instruments on Financial Position and Operating Results
Section 1 General Provisions
Article 36 When presenting items related to financial instruments, an enterprise shall categorize financial instruments based on their characteristics and the nature of related information, and fully disclose information related to financial instruments so that the disclosures in the notes to the financial statements correspond to the items presented in the financial statements.
Article 37 In determining the presentation categories for financial instruments, an enterprise shall at least distinguish between financial instruments measured at amortized cost and those measured at fair value within the scope of this Standard.
Article 38 An enterprise shall disclose information about significant accounting policies, measurement bases, and other accounting policies related to the understanding of the financial statements adopted for financial instruments in preparing the financial statements, including:
(1) For financial assets designated as at fair value through profit or loss, the enterprise shall disclose the following information:

1. The nature of the designated financial assets;
2. How the enterprise meets the criteria for designation. The enterprise shall disclose a descriptive explanation

of the recognition or measurement inconsistency that the designation is intended to address.

(2) For financial liabilities designated as at fair value through profit or loss, the enterprise shall disclose the following information:

3. The nature of the designated financial liabilities;
4. The criteria for designating these financial liabilities at initial recognition;
5. How the enterprise meets the criteria for designation. For designations aimed at eliminating or significantly reducing an accounting mismatch, the enterprise shall disclose a descriptive explanation of the recognition or measurement inconsistency that the designation is intended to address. For designations aimed at better reflecting the management substance of a portfolio, the enterprise shall disclose a descriptive explanation that the designation is in accordance with the risk management or investment strategy documented in the enterprise's formal written policies. For hybrid instruments designated in their entirety as at fair value through profit or loss, the enterprise shall disclose a descriptive explanation of the application of the designation criteria.

(3) How the gains or losses for each category of financial instruments are determined.

Section 2 Presentation in the Balance Sheet and Related Disclosures

Article 39 An enterprise shall present the carrying amount of the following financial assets or financial liabilities in the balance sheet or related notes:

(1) Financial assets measured at amortized cost.

(2) Financial liabilities measured at amortized cost.

(3) Financial assets measured at fair value through other comprehensive income, separately presenting: (i) financial assets classified as measured at fair value through other comprehensive income in accordance with Article 18 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments; (ii) non-trading equity investments designated at initial recognition as measured at fair value through other comprehensive income in accordance with Article 19 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments.

(4) Financial assets measured at fair value through profit or loss, separately presenting: (i) financial assets classified as measured at fair value through profit or loss in accordance with Article 19 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments; (ii) financial assets designated as measured at fair value through profit or loss in accordance with Article 20 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments; (iii) financial assets designated at initial recognition or subsequent measurement as measured at fair value through profit or loss in accordance with Article 34 of Enterprise Accounting Standard No. 24 - Hedge Accounting.

(5) Financial liabilities measured at fair value through profit or loss, separately presenting: (i) financial liabilities classified as measured at fair value through profit or loss in accordance with Article 21 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments; (ii) financial liabilities designated at initial recognition as measured at fair value through profit or loss in accordance with Article 22 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments; (iii) financial liabilities designated at initial recognition and subsequent measurement as measured at fair value through profit or loss in accordance with Article 34 of Enterprise Accounting Standard No. 24 - Hedge Accounting.

Article 40 If an enterprise designates one or a group of financial assets that would otherwise be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, it shall disclose the following information:

(1) The maximum credit risk exposure of the financial asset at the balance sheet date;

(2) The amount by which the maximum credit risk exposure is reduced by any related credit derivatives or similar

instruments;
(3) The change in fair value of the financial asset during the period due to changes in credit risk and the cumulative change;
(4) The change in fair value during the period and the cumulative change in fair value of related credit derivatives or similar instruments since the financial asset was designated.
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
The maximum credit risk exposure of a financial asset at the balance sheet date is generally the carrying amount of the financial instrument net of any impairment losses (after deducting any amounts offset in accordance with this Standard).
Article 41 If an enterprise designates a financial liability as at fair value through profit or loss and recognizes the change in its fair value due to changes in the enterprise's own credit risk in other comprehensive income, it shall disclose the following information:
(1) The change in fair value of the financial liability during the period due to changes in its own credit risk and the cumulative change;
(2) The difference between the carrying amount of the financial liability and the amount contractually due to be paid to the creditor at maturity;
(3) The amount and reason for the reclassification of cumulative gains or losses from other comprehensive income to retained earnings during the period.
Article 42 If an enterprise designates a financial liability as at fair value through profit or loss and recognizes all gains or losses on that liability (including the effects of changes in the enterprise's own credit risk) in profit or loss, it shall disclose the following information:
(1) The change in fair value of the financial liability during the period due to changes in its own credit risk and the cumulative change;
(2) The difference between the carrying amount of the financial liability and the amount contractually due to be paid to the creditor at maturity.
Article 43 An enterprise shall disclose the valuation methods used to determine the change in fair value of financial assets due to changes in credit risk required by Article 40(3) of this Standard, and the valuation methods used to determine the change in fair value of financial liabilities due to changes in their own credit risk required by Article 41(1) and Article 42(1) of this Standard, and explain the reasons for choosing those methods. If the enterprise believes that the disclosed information does not faithfully represent the portion of the change in fair value of the related financial instrument attributable to credit risk, it shall disclose the reasons for this conclusion and other factors that need to be considered.
The enterprise shall disclose its method for determining whether recognizing changes in the fair value of a financial liability due to changes in its own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. If an enterprise recognizes changes in the fair value of a financial liability due to changes in its own credit risk in profit or loss in accordance with Article 68 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments, the enterprise shall disclose the economic relationship between that financial liability and the financial instruments expected to offset the changes in fair value due to changes in its own credit risk.
Article 44 If an enterprise designates non-trading equity investments as at fair value through other comprehensive income, it shall disclose the following information:
(1) Each equity investment designated as at fair value through other comprehensive income;
(2) The reasons for the designation;

(3) The fair value at the end of the period for each equity investment designated as at fair value through other comprehensive income;
(4) Dividend income recognized during the period, with separate disclosure of dividend income related to equity investments derecognized during the period and dividend income related to equity investments still held at the balance sheet date;
(5) The amount of cumulative gains and losses on the equity investment reclassified from other comprehensive income to retained earnings during the period and the reasons.
Article 45 If an enterprise derecognizes a non-trading equity investment designated as at fair value through other comprehensive income during the period, it shall disclose the following information:
(1) The reasons for disposing of the equity investment;
(2) The fair value of the equity investment at derecognition;
(3) The cumulative gain or loss on the equity investment at derecognition.
Article 46 If an enterprise has reclassified financial assets during the current or prior reporting periods, it shall disclose, for each reclassification, the reclassification date, a detailed explanation of the change in business model and its qualitative impact on the financial statements, and the amounts of the financial asset before and after reclassification.
If an enterprise has reclassified financial assets measured at fair value through other comprehensive income to measured at amortized cost, or financial assets measured at fair value through profit or loss to other categories, since the beginning of the prior annual reporting period, it shall disclose the following information:
(1) The fair value of the financial asset at the balance sheet date;
(2) The gain or loss that would have been recognized in profit or loss or other comprehensive income if the financial asset had not been reclassified.
If an enterprise reclassifies a financial asset from measured at fair value through profit or loss to another category, it shall disclose the effective interest rate determined at the reclassification date and the interest income recognized during the period for each reporting period from the reclassification date to derecognition.
Article 47 For all recognized financial instruments under enforceable master netting agreements or similar arrangements, and recognized financial instruments that meet the offsetting conditions in Article 28 of this Standard, an enterprise shall disclose the following quantitative information separately for financial assets and financial liabilities in tabular form (unless a more appropriate form of disclosure is available) at the end of the reporting period:
(1) The gross amounts of recognized financial assets and financial liabilities.
(2) The amounts offset in accordance with this Standard.
(3) The net amounts presented in the balance sheet.
(4) The amounts not included in (2) above that are subject to an enforceable master netting agreement or similar arrangement, including:
a. The amounts of recognized financial instruments that do not meet the offsetting conditions of this Standard;
b. The amounts related to financial collateral (including cash collateral), to the extent that the net amount presented in the balance sheet is reduced by such collateral.
(5) The net amount after deducting the amounts in (4) from the net amount presented in the balance sheet.
The enterprise shall disclose information about the terms and nature of the right of set-off under the arrangements described in (4), and the measurement differences arising from applying this Article to financial instruments with different measurement bases.
If the above information is not disclosed in the same note to the financial statements, the enterprise shall provide cross-references between notes.
Article 48 For puttable instruments classified as equity instruments in accordance with Chapter 3 of this Standard, an enterprise shall disclose the following information:

(1) Summary quantitative information about puttable instruments;
(2) The enterprise's management objectives, policies and procedures for fulfilling repurchase or redemption obligations at the holder's option, and changes in them;
(3) The expected cash outflow amount for repurchasing or redeeming puttable instruments and the determination method.
Article 49 If an enterprise reclassifies a particular financial instrument under Chapter 3 of this Standard between financial liabilities and equity instruments, it shall disclose the fair value or carrying amount before and after reclassification, and the timing and reasons for the reclassification.
Article 50 An enterprise shall disclose the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities, and the terms and conditions related to the collateral. In accordance with Article 26 of Enterprise Accounting Standard No. 23 - Transfer of Financial Assets, if an enterprise (transferor) has provided non-cash collateral (e.g., debt or equity investments) to the transferee of a financial asset, and the transferee has the right by contract or custom to sell or repledge the collateral, the enterprise shall present that non-cash collateral separately in the financial statements.
Article 51 If an enterprise obtains collateral (whether financial or non-financial assets) that it is permitted to sell or repledge in the absence of default by the owner of the collateral, it shall disclose the fair value of the collateral, the fair value of any such collateral sold or repledged, and its obligations to return the collateral and the terms and conditions associated with its use.
Article 52 For financial assets classified as measured at fair value through other comprehensive income in accordance with Article 18 of Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments, an enterprise shall disclose the loss allowance recognized in the notes to the financial statements, but shall not present the loss allowance separately as a deduction from the carrying amount of the financial asset in the balance sheet.
Article 53 For compound financial instruments issued by an enterprise that contain both a financial liability component and an equity instrument component, and that embed multiple derivatives with interdependent values (e.g., a callable convertible debt instrument), the enterprise shall disclose the related features.
Article 54 For financial liabilities other than those arising from short-term trade payables under normal credit terms, an enterprise shall disclose the following information:
(1) Details of the principal, interest, sinking fund, and redemption terms of financial liabilities that were in default during the period;
(2) The carrying amount of the financial liabilities in default at the end of the reporting period;
(3) Details of remedial actions taken, the renegotiation of terms, etc., regarding the defaults before the financial statements were authorized for issue.
If an enterprise has other breaches of contract during the period, and the lender has the right to demand early repayment upon the occurrence of the default or other breach, the enterprise shall disclose the information as required above. If the default or other breach was remedied or the terms were renegotiated before the end of the reporting period, disclosure is not required.
Section 3 Presentation in the Statement of Comprehensive Income and Related Disclosures
Article 55 An enterprise shall disclose the following income, expenses, gains or losses relating to financial instruments:
(1) Gains or losses on financial assets and financial liabilities measured at fair value through profit or loss. This includes the net gain or net loss on those designated as measured at fair value through profit or loss, and those that must be classified as measured at fair value through profit or loss according to Article 19 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments for financial assets and Article 21 of the same standard for financial liabilities, which shall be disclosed separately.
(2) For financial liabilities designated as at fair value through profit or loss, the enterprise shall disclose separately the

gains or losses recognized in other comprehensive income and those recognized in profit or loss for the period.
(3) For financial assets classified as at fair value through other comprehensive income according to Article 18 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the enterprise shall disclose separately the gains or losses recognized in other comprehensive income during the period and those reclassified from other comprehensive income to profit or loss upon derecognition during the period.
(4) For non-transactional equity instrument investments designated as at fair value through other comprehensive income according to Article 19 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the enterprise shall disclose separately the gains and losses recognized in other comprehensive income and the dividend income recognized in profit or loss.
(5) The total interest income and interest expense for financial assets or financial liabilities calculated using the effective interest method, excluding those measured at fair value through profit or loss, and fee income or expense that was not included in the determination of the effective interest rate and was recognized directly in profit or loss.
(6) Fee income or expense recognized directly in profit or loss that arises from assets held or investments made on behalf of others through trust and other custodial activities.
Article 56 An enterprise shall disclose separately the amount of gains and losses recognized in the statement of comprehensive income upon the derecognition of financial assets measured at amortized cost, along with a related analysis, including the reasons for derecognizing the financial assets.
Section 4 Disclosures Related to Hedge Accounting
Article 57 An enterprise shall disclose the following information related to hedge accounting:
(1) The enterprise's risk management strategy and how it is applied to manage risk;
(2) The effect of the enterprise's hedging activities on the amount, timing and uncertainty of its future cash flows;
(3) The effects of hedge accounting on the enterprise's statement of financial position, statement of comprehensive income and statement of changes in equity.
When disclosing information related to hedge accounting, an enterprise shall determine the appropriate level of detail, the focus of disclosure, the appropriate level of aggregation or disaggregation, and whether users of the financial statements need additional explanation to evaluate the quantitative information disclosed. The level of aggregation or disaggregation determined by the enterprise for disclosure in accordance with this standard shall be the same as that used for the disclosure requirements of Accounting Standards for Business Enterprises No. 39 - Fair Value Measurement.
Article 58 An enterprise shall disclose information about its risk management strategy for the types of risks it hedges and for which it uses hedge accounting, to help users of financial statements evaluate: how each type of risk arises, how the enterprise manages each type of risk (including whether the enterprise hedges an item in its entirety or hedges one or more risk components of an item and the reason), and the extent of the risk exposure the enterprise manages. Information related to the risk management strategy shall include:
(1) The hedging instruments designated by the enterprise;
(2) How the enterprise uses the hedging instruments to hedge the specific risk exposure of the hedged item;
(3) How the enterprise determines the economic relationship between the hedged item and the hedging instrument for assessing hedge effectiveness;
(4) The method used to determine the hedge ratio;
(5) The sources of hedge ineffectiveness.
Article 59 When an enterprise designates a specific risk component as a hedged item, in addition to disclosing the information required by Article 58 of this standard, it shall disclose the following qualitative or quantitative information:
(1) How the enterprise determined that risk component, including a description of the nature of the relationship between the risk component and the entire item;

(2) The degree of correlation between the risk component and the entire item (e.g., the historical average percentage of the fair value change of the entire item that the designated risk component represents).

Article 60 An enterprise shall disclose quantitative information by type of risk to help users of financial statements evaluate the terms and conditions of hedging instruments and how those terms and conditions affect the amount, timing and uncertainty of the enterprise's future cash flows. This detailed information to be disclosed shall include:

(1) The time distribution of the nominal amounts of the hedging instruments;

(2) The average price or rate of the hedging instruments (if applicable).

Article 61 In situations where frequent changes in hedging instruments and hedged items cause the enterprise to frequently reset (i.e., discontinue and restart) hedging relationships, the enterprise need not disclose the information required by Article 60 of this standard, but shall disclose the following information:

(1) Information about the enterprise's basic risk management strategy related to those hedging relationships;

(2) How the enterprise reflects its risk management strategy through the use of hedge accounting and the designation of specific hedging relationships;

(3) The frequency of resetting the hedging relationships.

In such situations, if the number of hedging relationships at the reporting date is not representative of the normal volume during the period, the enterprise shall disclose this fact and the reason why the number is not representative.

Article 62 An enterprise shall disclose, by type of risk, the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term. If other sources causing hedge ineffectiveness arise in the hedging relationship, it shall also disclose the related sources and reasons for the ineffectiveness by type of risk.

Article 63 An enterprise shall disclose cash flow hedges of forecast transactions for which hedge accounting has been used but which are no longer expected to occur.

Article 64 For fair value hedges, an enterprise shall disclose the following amounts related to the hedged item in tabular form, by type of risk:

(1) The carrying amount of the hedged item recognized in the statement of financial position, with assets and liabilities shown separately;

(2) The cumulative amount of the fair value hedge adjustment to the hedged item included in the carrying amount of the hedged item recognized in the statement of financial position, with assets and liabilities shown separately;

(3) The line item in the statement of financial position that includes the hedged item;

(4) The change in the value of the hedged item used as the basis for recognizing hedge ineffectiveness during the period;

(5) For hedged items that are financial instruments measured at amortized cost, if adjustments to hedge gains and losses have ceased, the cumulative amount of the fair value hedge adjustment remaining in the statement of financial position shall be disclosed.

Article 65 For cash flow hedges and hedges of a net investment in a foreign operation, an enterprise shall disclose the following amounts related to the hedged item in tabular form, by type of risk:

(1) The change in the value of the hedged item used as the basis for recognizing hedge ineffectiveness during the period;

(2) The balance of the cash flow hedge reserve that continues to be accounted for in accordance with hedge accounting pursuant to Article 24 of Accounting Standards for Business Enterprises No. 24 - Hedge Accounting;

(3) The balance recognized in other comprehensive income for the hedge of a net investment in a foreign operation that continues to be accounted for in accordance with hedge accounting pursuant to Article 27 of Accounting Standards for Business Enterprises No. 24 - Hedge Accounting;

(4) The balance of gains and losses in the cash flow hedge reserve and those recognized in other comprehensive income for the hedge of a net investment in a foreign operation arising from hedging relationships for which hedge

accounting is no longer applied.
Article 66 For each type of hedge, an enterprise shall disclose the following amounts related to the hedging instrument in tabular form, by type of risk:
(1) The carrying amount of the hedging instrument, with financial assets and financial liabilities shown separately;
(2) The line item in the statement of financial position that includes the hedging instrument;
(3) The change in the fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness during the period;
(4) The nominal amount or quantity of the hedging instrument.
Article 67 For fair value hedges, an enterprise shall disclose the following amounts related to the hedging instrument in tabular form, by type of risk:
(1) The hedge ineffectiveness recognized in profit or loss;
(2) The hedge ineffectiveness recognized in other comprehensive income;
(3) The line item(s) in the statement of comprehensive income that includes the recognized hedge ineffectiveness.
Article 68 For cash flow hedges and hedges of a net investment in a foreign operation, an enterprise shall disclose the following amounts related to the hedging instrument in tabular form, by type of risk:
(1) The gain or loss on the hedging instrument recognized in other comprehensive income during the period;
(2) The hedge ineffectiveness recognized in profit or loss;
(3) The line item(s) in the statement of comprehensive income that includes the recognized hedge ineffectiveness;
(4) The amount reclassified from the cash flow hedge reserve or from the gains and losses on the hedge of a net investment in a foreign operation recognized in other comprehensive income to profit or loss, distinguishing between amounts reclassified because the future cash flows of the hedged item are no longer expected to occur (previously hedged) and amounts reclassified because the hedged item affects profit or loss;
(5) The line item(s) in the statement of comprehensive income that includes the reclassification adjustment;
(6) For hedges of net positions, the gain or loss on the hedging instrument recognized in a separate line item in the statement of comprehensive income.
Article 69 When an enterprise provides a reconciliation of the components of equity and an analysis of other comprehensive income in accordance with Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements, it shall disclose the following information by type of risk:
(1) The amounts disclosed separately according to Article 68(1) and (4) of this standard;
(2) The amounts in the cash flow hedge reserve handled separately according to Article 25(1) and (3) of Accounting Standards for Business Enterprises No. 24 - Hedge Accounting;
(3) The amounts related to the time value of options hedging transaction related hedged items, and the amounts related to the time value of options hedging time period related hedged items, disclosed separately;
(4) The amounts related to the forward element of forward contracts and the foreign currency basis spread of financial instruments hedging transaction related hedged items, and the amounts related to the forward element of forward contracts and the foreign currency basis spread of financial instruments hedging time period related hedged items, disclosed separately.
Article 70 If an enterprise designates a financial instrument (or a proportion of it) as at fair value through profit or loss because it uses credit derivatives to manage the credit risk exposure of that financial instrument, it shall disclose the following information:
(1) A reconciliation of the nominal amount and the fair value at the beginning and end of the period for each credit derivative used to manage the credit risk exposure of financial instruments designated as at fair value through profit or loss in accordance with Article 34 of Accounting Standards for Business Enterprises No. 24 - Hedge Accounting;
(2) The gain or loss recognized in profit or loss from designating the financial instrument (or a proportion of it) as at

fair value through profit or loss in accordance with Article 34 of Accounting Standards for Business Enterprises No. 24 - Hedge Accounting;

(3) When the enterprise ceases to measure the financial instrument (or a proportion of it) at fair value through profit or loss in accordance with Article 35 of Accounting Standards for Business Enterprises No. 24 - Hedge Accounting, the fair value of the financial instrument that becomes its new carrying amount and the related nominal amount or principal amount. The enterprise need not continue to disclose this information in subsequent periods unless comparative information is required under Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements.

Section 5 Fair Value Disclosures

Article 71 Except for the circumstances described in Article 73 of this standard, an enterprise shall disclose the fair value of each class of financial assets and financial liabilities and compare it to the carrying amount. For financial assets and financial liabilities that are offset in the statement of financial position, their fair value shall be disclosed on a net basis.

Article 72 When there is a difference between the fair value at initial recognition of a financial asset or financial liability and the transaction price, and that fair value is not based on a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, the enterprise shall not recognize a gain or loss on initial recognition of the financial asset or financial liability. In such cases, the enterprise shall disclose the following information by type of financial asset or financial liability:

(1) The accounting policy for recognizing in profit or loss the difference between the transaction price and the fair value at initial recognition, to reflect changes in factors (including time) that market participants would consider in pricing the asset or liability;

(2) A reconciliation of the carrying amount of the difference not yet recognized in profit or loss at the beginning and end of the period, and changes during the period;

(3) How the enterprise concluded that the transaction price was not the best evidence of fair value, and the evidence supporting the fair value determined.

Article 73 An enterprise need not disclose fair value information for the following financial assets or financial liabilities:

(1) Those whose carrying amount is not materially different from their fair value (e.g., short-term receivables or payables);

(2) Contracts containing discretionary participation features whose fair value cannot be measured reliably;

(3) Lease liabilities.

Article 74 In the circumstances described in Article 73(2) of this standard, the enterprise shall disclose the following information:

(1) A description of the financial instrument and its carrying amount, and the fact that its fair value has not been disclosed because it cannot be measured reliably, along with an explanation;

(2) Relevant market information for the financial instrument;

(3) Whether the enterprise intends to dispose of these financial instruments and how;

(4) If a financial instrument whose fair value was previously not measurable reliably is derecognized, the fact of derecognition, the carrying amount of the financial instrument at derecognition, and the amount of gain or loss recognized.

Chapter 7 Disclosures about the Nature and Extent of Risks Arising from Financial Instruments

Section 1 Qualitative and Quantitative Information

Article 75 An enterprise shall disclose qualitative and quantitative information about the risks arising from each type of financial instrument to enable users of financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting period and to better evaluate the risk exposures faced by the enterprise. Relevant risks include credit risk, liquidity risk, market risk, etc.

Article 76 For each type of risk arising from financial instruments, an enterprise shall disclose the following qualitative information:

(1) The risk exposures and the reasons for their formation, and changes during the period;

(2) The objectives, policies and processes for managing risks, and the methods for measuring risks, and changes during the period.

Article 77 For each type of risk arising from financial instruments, an enterprise shall disclose the following quantitative information by category:

(1) Summary data of risk exposures at the end of the period. This data shall be based on the relevant information provided to key management personnel. If the enterprise uses multiple methods to manage risk, the information disclosed shall be based on the most relevant and reliable method.

(2) The information disclosed in accordance with Articles 78 to 97 of this standard.

(3) Information about concentrations of risk at the end of the period, including a description of how management determines concentrations and the reference factors (including counterparty, geographical area, currency type, market type, etc.), and the amount of risk exposure related to each concentration of risk.

If the quantitative information at the end of the period is not representative of the enterprise's risk exposure during the period, further relevant information shall be provided.

Section 2 Credit Risk Disclosures

Article 78 For all financial instruments and related contract rights to which the impairment requirements of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments apply, an enterprise shall disclose in accordance with Articles 80 to 87 of this standard.

For receivables, contract assets, and lease receivables that are always measured at an amount equal to the lifetime expected credit losses, if the contractual cash flows are modified more than 30 days past due, Article 85(1) of this standard applies.

Article 86(2) of this standard does not apply to lease receivables.

Article 79 To enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows, an enterprise shall disclose the following information related to credit risk:

(1) Information about the enterprise’s credit risk management practices and their relationship to the recognition and measurement of expected credit losses, including the methods, assumptions, and information used to measure expected credit losses on financial instruments;

(2) Quantitative and qualitative information that enables users of financial statements to evaluate the amounts of expected credit losses recognized in the financial statements, including the changes in the amounts of expected credit losses and the reasons for those changes;

(3) The enterprise’s credit risk exposures, including significant credit risk concentrations;

(4) Other information that enables users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows.

Article 80 If credit risk information is disclosed in another report (e.g., Management Discussion and Analysis) and is cross-referenced to the financial statements, and the financial statements and the other report are available to users on the same terms and at the same time, the credit risk information need not be repeated. The enterprise shall determine the appropriate level of detail, aggregation or disaggregation, and whether supplementary explanations are needed for the disclosed quantitative information, based on its own circumstances.

Article 81 An enterprise shall disclose the following information about its credit risk management practices:

(1) The methods used by the enterprise to assess whether credit risk has increased significantly since initial recognition, and disclose the following information:

1. Financial instruments that have low credit risk at the reporting date according to Article 55 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and the basis for determining this (including the categories of financial instruments to which this applies);
2. Financial assets that are more than 30 days past due but for which credit risk has not been considered to have increased significantly since initial recognition, and the basis for determining this.
(2) The definition of default used by the enterprise and the reasons for choosing that definition.
(3) How portfolios are grouped for assessing expected credit risk for financial instruments assessed on a portfolio basis.
(4) The basis for determining that a financial asset is credit-impaired.
(5) The enterprise's policy for writing off financial instruments directly, including indicators that there is no reasonable expectation of recovery, and information about the policy for financial assets that have been written off directly but are still subject to enforcement activity.
(6) If the enterprise assesses the credit risk of a financial asset whose contractual cash flows have been modified in accordance with Article 56 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, it shall disclose its method for assessing credit risk and the following information:
1. For financial assets with loss allowances measured at an amount equal to lifetime expected credit losses, whether credit risk has decreased at the time of modification such that the loss allowance can be measured at an amount equal to 12-month expected credit losses;
2. For financial assets meeting the condition in 1 above, how the enterprise monitors whether the credit risk has subsequently increased significantly, requiring the loss allowance to be remeasured at an amount equal to lifetime expected credit losses.
Article 82 An enterprise shall disclose information about the inputs, assumptions and estimation techniques used for impairment of financial instruments in accordance with Chapter 8 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, including specifically:
(1) The inputs, assumptions and estimation techniques used to determine:
1. The measurement of 12-month expected credit losses and lifetime expected credit losses;
2. Whether the credit risk on financial instruments has increased significantly since initial recognition;
3. Whether a financial asset is credit-impaired.
(2) How forward-looking information, including the use of macroeconomic information, is incorporated in determining expected credit losses.
(3) Changes in estimation techniques or significant assumptions during the reporting period and the reasons for those changes.
Article 83 An enterprise shall present, in a tabular format, a reconciliation of the opening balance to the closing balance of the loss allowance by class of financial instrument, showing separately the changes for the following:
(1) Loss allowance measured at an amount equal to 12-month expected credit losses.
(2) Loss allowance measured at an amount equal to lifetime expected credit losses for:
1. Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired;
2. Financial assets that are credit-impaired at the reporting date but that are not purchased or originated credit-impaired;
3. Receivables, contract assets and lease receivables for which impairment losses are measured in accordance with Article 63 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.
(3) Changes in purchased or originated credit-impaired financial assets. In addition to the reconciliation, the enterprise

shall disclose the total undiscounted expected credit losses at initial recognition for such financial assets initially recognized during the period.

Article 84 To help users of financial statements understand the information about changes in the loss allowance disclosed in accordance with Article 83 of this standard, an enterprise shall provide explanations for significant changes in the carrying amount of financial instruments for which the loss allowance has changed during the period. These explanations shall include both qualitative and quantitative information and shall be provided separately for each item for which the loss allowance is disclosed in accordance with Article 83. This may include information on significant changes in the carrying amount of financial instruments for which the loss allowance changed due to:

(1) Purchases or origination of financial instruments during the period.

(2) Modifications of contractual cash flows of financial assets that did not result in derecognition.

(3) Derecognition of financial instruments during the period (including those written off directly).

For financial assets written off directly during the period that are still subject to enforcement activity, the outstanding contractual amount shall also be disclosed.

(4) Changes in the carrying amount of financial instruments resulting from measuring the loss allowance at an amount equal to 12-month or lifetime expected credit losses.

Article 85 To help users of financial statements understand the nature and effect of modifications of contractual cash flows of financial assets that did not result in derecognition, and their effect on the measurement of expected credit losses, an enterprise shall disclose the following information:

(1) If the enterprise modified the contractual cash flows of a financial asset during the period, and the loss allowance was measured at an amount equal to lifetime expected credit losses before the modification, it shall disclose the amortized cost before the modification or renegotiation of the contract and the net gain or loss on modifying the contractual cash flows.

(2) For a financial asset for which the loss allowance was previously measured at an amount equal to lifetime expected credit losses but is measured at an amount equal to 12-month expected credit losses in the current period, it shall disclose the carrying amount of that financial asset at the reporting date.

Article 86 To help users of financial statements understand the effect of collateral and other credit enhancements on the amount of expected credit losses, an enterprise shall disclose the following information by class of financial instrument:

(1) The maximum credit risk exposure at the reporting date without taking into account any collateral held or other credit enhancements.

(2) A description of collateral held and other credit enhancements, including:

1. The nature and quality of the collateral held;

2. An explanation of significant changes in the quality of collateral or credit enhancements during the period due of credit deterioration or changes in the enterprise's collateral policies;

3. Information about financial instruments for which no loss allowance is recognized because of the existence of collateral.

(3) Quantitative information (e.g., quantitative information about the extent to which collateral and other credit enhancements mitigate credit risk) about collateral held and other credit enhancements securing financial assets that are credit-impaired at the reporting date.

Article 87 To help users of financial statements assess the enterprise's credit risk exposures and understand its significant credit risk concentrations, an enterprise shall disclose the carrying amount of financial assets and the credit risk exposure of loan commitments and financial guarantee contracts by credit risk rating. This information shall be disclosed separately for the following classes of financial instruments:

(1) Financial instruments with loss allowances measured at an amount equal to 12-month expected credit losses.

(2) Financial instruments with loss allowances measured at an amount equal to lifetime expected credit losses for:
1. Financial instruments for which credit risk has increased significantly since initial recognition (but that are not credit-impaired financial assets);
2. Financial assets that are credit-impaired at the reporting date but that are not purchased or originated credit-impaired;
3. Receivables, contract assets or lease receivables for which impairment losses are measured in accordance with Article 63 of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.
(3) Purchased or originated credit-impaired financial assets.
A credit risk rating is a rating of credit risk based on the risk of default of a financial instrument.
Article 88 For all financial instruments within the scope of this standard but not subject to the impairment requirements of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, an enterprise shall disclose the following information about credit risk for each class of financial instrument:
(1) The maximum credit risk exposure at the reporting date without taking into account any collateral held or other credit enhancements. If the carrying amount of the financial instrument represents the maximum exposure to credit risk, this disclosure is not required.
(2) Regardless of whether the disclosure requirement in (1) above applies, the enterprise shall disclose information about available collateral or other credit enhancements and their financial effect on the maximum credit risk exposure.
Article 89 For assets (financial or non-financial) recognized during the period by obtaining collateral or other credit enhancements, an enterprise shall disclose the following information:
(1) The nature and carrying amount of the assets recognized;
(2) For assets that are not readily convertible into cash, the policies for disposing of them or using them in the ordinary course of business, etc.
Section 3 Liquidity Risk Disclosures
Article 90 An enterprise shall disclose a maturity analysis for financial liabilities that shows the remaining contractual maturities, and describe how it manages the liquidity risk associated with those financial liabilities:
(1) For non-derivative financial liabilities (including financial guarantee contracts), the maturity analysis shall be based on the remaining contractual maturity. For hybrid financial instruments containing embedded derivatives, they shall be disclosed in their entirety as non-derivative financial liabilities.
(2) For derivative financial liabilities, the maturity analysis shall be based on the remaining contractual maturity if the contractual maturity is essential for understanding the timing of the cash flows.
When an enterprise manages liquidity risk based on expected maturity dates of held financial assets, and disclosing a maturity analysis for those financial assets enables users of the financial statements to properly assess the nature and extent of the enterprise's liquidity risk, the enterprise shall disclose a maturity analysis for those financial assets.
Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
Article 91 When disclosing the maturity analysis, an enterprise shall use judgement to determine appropriate time bands. The amounts disclosed in each time band in accordance with Article 90 of this standard shall be the undiscounted contractual cash flows.
An enterprise may, but is not limited to, use the following time bands for the maturity analysis:
(1) Within one month (inclusive, similarly hereinafter);
(2) From one month to three months;
(3) From three months to one year;
(4) From one year to five years;

(5) More than five years.

Article 92 If the lender has the choice of when to demand repayment, the borrower shall include the amount of the financial liability in the earliest time band in which the lender can require repayment.

If the amount payable by the borrower is not fixed, the amount disclosed in the maturity analysis shall be determined based on the situation at the reporting date. For instalment payments, the borrower shall include each instalment payment in the earliest time band in which it could be required to pay.

For financial liabilities arising from financial guarantee contracts, the guarantor shall disclose the maximum amount of the guarantee in the earliest time band in which the guarantee could be called.

Article 93 An enterprise shall disclose how it determines the aggregated quantitative liquidity risk exposure information. If the outflow of cash (or another financial asset) in such aggregated quantitative information meets either of the following conditions, the relevant facts shall be stated, and additional quantitative information that helps assess the extent of this risk shall be provided:

(1) The outflow of cash could occur significantly earlier than indicated in the aggregated quantitative information.

(2) The outflow of cash could be for a significantly different amount from that indicated in the aggregated quantitative information.

If this information is already included in the maturity analysis required by Article 90 of this standard, the additional quantitative information need not be disclosed.

Section 4 Market Risk Disclosures

Article 94 Market risk of financial instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It includes currency risk, interest rate risk and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from financial instruments that are denominated in a foreign currency.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from recognized interest-bearing financial instruments and unrecognized financial instruments (such as some loan commitments).

Other price risk is 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 currency risk or interest rate 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. Other price risk arises from changes in commodity prices or equity prices, etc.

Article 95 For sensitivity analysis of market risk, the enterprise shall disclose the following information on an enterprise-wide basis:

(1) A sensitivity analysis for each type of market risk to which the enterprise is exposed at the reporting date. This disclosure shall show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable(s) at the reporting date.

For each currency to which the enterprise has significant currency risk exposure, a sensitivity analysis shall be presented by currency.

(2) The methods and assumptions used in preparing the sensitivity analysis for the current period, and changes from the previous period and the reasons for those changes.

Article 96 If an enterprise uses a sensitivity analysis technique (such as value at risk) that reflects interdependencies between risk variables (e.g., interest rates and exchange rates) and it uses that technique to manage financial risk, it may use that sensitivity analysis instead of the analysis specified in Article 95 of this standard. However, it shall disclose:

(1) An explanation of the method used in preparing the sensitivity analysis, and of the main parameters and assumptions adopted;

(2) The objective of the method used, and limitations of the information provided by the method in representing the fair value of related assets and liabilities.

Article 97 If the disclosure of sensitivity analysis in accordance with Article 95 or 96 of this standard does not reflect the market risk of financial instruments (e.g., because the risk exposure at the period end does not reflect the risk exposure during the period), the enterprise shall disclose that fact and the reason.

Chapter 8 Transfers of Financial Assets

Article 98 An enterprise shall disclose separately, in accordance with the requirements of this standard, for all transferred financial assets that are not derecognized in their entirety at the reporting date, and for any continuing involvement in transferred financial assets that are derecognized in their entirety.

Transfers of financial assets referred to in this Chapter include the following two situations:

(1) The enterprise transfers the contractual rights to receive the cash flows of the financial asset.

(2) The enterprise retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay those cash flows to one or more recipients.

Article 99 The information disclosed by an enterprise about transfers of financial assets shall enable users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and any associated liabilities, and to evaluate the nature of, and risks associated with, the enterprise's continuing involvement in derecognized financial assets.

If the information disclosed by the enterprise in accordance with Articles 101 and 102 of this standard is insufficient to meet the requirements of the preceding paragraph, the enterprise shall disclose other supplementary information.

Article 100 Continuing involvement referred to in this Chapter arises if an enterprise retains any contractual rights or obligations inherent in the transferred financial asset, or obtains any new contractual rights or obligations related to the transferred financial asset. Continuing involvement can arise from a transfer agreement between the transferor and transferee or from a separate agreement with a third party related to the transfer. If the enterprise has no further benefits relating to the future performance of the transferred financial asset, nor any obligation for future payments related to the transferred financial asset, no continuing involvement exists. The following situations do not give rise to continuing involvement:

(1) Routine representations and warranties related to the authenticity of the transfer and principles of reasonableness, good faith and fair dealing, etc., which may render the transfer invalid due to legal action.

(2) Forward, option and other contracts to repurchase the transferred financial asset at fair value.

(3) Arrangements where the enterprise retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay those cash flows to one or more recipients, and these arrangements meet the three conditions in Article 6(2) of Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets.

Article 101 For transferred financial assets that are not derecognized in their entirety, an enterprise shall disclose the following information by category:

(1) The nature of the transferred financial assets;

(2) The nature of the risks and rewards relating to ownership that are retained;

(3) The nature of the relationship between the transferred financial assets and the associated liabilities, including any restrictions on the use of the transferred financial assets by the enterprise arising from the transfer;

(4) When the counterparty to the associated liability arising from the transferred financial assets has recourse only to the transferred financial assets, the fair value of the transferred financial assets and the associated liabilities and the net position, i.e., the difference between the fair value of the transferred financial assets and the associated liabilities, shall be disclosed in tabular form;

(5) If the transferred financial assets are continued to be recognized in their entirety, the carrying amount of the

transferred financial assets and the associated liabilities;
(6) If an asset and a liability are recognized based on the extent of continuing involvement, the carrying amount of the financial asset before the transfer, and the carrying amount of the asset and the liability recognized based on the extent of continuing involvement.
Article 102 For transferred financial assets that are derecognized in their entirety but where the transferor has a continuing involvement, the enterprise shall disclose at least the following information by category:
(1) The carrying amount and fair value of assets and liabilities recognized due to the continuing involvement, and the corresponding line items in the statement of financial position.
(2) The maximum exposure to loss from the continuing involvement and how it is determined.
(3) The undiscounted cash flows required or potentially required to repurchase the derecognized financial assets (e.g., the exercise price in an option agreement) or other amounts payable to the transferee, and a maturity analysis of those cash flows or amounts. If the maturity could be a range, it shall be included in the earliest time band based on the date the enterprise must or might pay. The maturity analysis shall separately reflect cash flows the enterprise is obligated to pay (e.g., under a forward contract), cash flows the enterprise might be required to pay (e.g., under a written put option), and cash flows the enterprise may choose to pay (e.g., under a purchased call option). In cases where the cash flows are not fixed, the amounts above shall be disclosed based on the circumstances at each reporting date.
(4) Explanatory comments for the quantitative information in (1) to (3) above, including a description of the nature and purpose of the transferred financial assets and the continuing involvement, and a description of the risks faced by the enterprise. The description of risks shall include:
1. How the enterprise manages the risks associated with the continuing involvement in the derecognized financial assets;
2. Whether the enterprise is required to bear losses before other parties, and the order and amount of losses to be borne by other parties before the enterprise;
3. The trigger conditions for the enterprise's obligation
(5) The gain or loss recognized on the date of transfer of the financial asset, and the income or expenses (such as changes in the fair value of derivatives) recognized in the current period and cumulatively due to the continuing involvement in the derecognized financial asset.
(6) If the total proceeds from derecognition are unevenly distributed during the period (e.g., a significant portion of the transfer amount occurs near the end of the reporting period), the enterprise shall disclose the period during which the largest transfer activity occurred, the amount recognized during that period (such as the related gain or loss), and the total proceeds received.
When disclosing the information required by this Article, the enterprise shall classify and summarize the disclosures based on the type of risk exposure arising from its continuing involvement. For example, disclosures may be classified and summarized by category of financial instrument (e.g., continuing involvement by way of guarantees or call options) or by type of transfer (e.g., accounts receivable factoring, securitization, and securities lending). If an enterprise has multiple forms of continuing involvement in a derecognized financial asset, it may summarize the disclosures under one category.
Article 103 When determining whether it has a continuing involvement in a transferred financial asset in accordance with Article 100 of this Standard, an enterprise shall make the assessment based on its own financial statements.
Chapter 9 Transitional Provisions
Article 104 From the effective date of this Standard, enterprises shall present information related to financial instruments in accordance with the requirements of this Standard. If the information presented in an enterprise’s comparative financial statements is inconsistent with the requirements of this Standard, no adjustment is required to

conform to the requirements of this Standard.

Chapter 10 Supplementary Provisions

Article 105 This Standard shall become effective as of January 1, 2018.

Date of Issuance: September 7, 2017