

The Deloitte logo is positioned in the top left corner of the page. It consists of the word "Deloitte" in a white, bold, sans-serif font, followed by a small green dot. The background of the entire page is a low-angle photograph of several skyscrapers reaching towards a sky with a gradient from blue at the top to orange at the bottom. On the right side of the page, there are several green circles of varying sizes and a green line, suggesting a data visualization or network diagram.

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Chapter 10

So where is the transparency?

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Disclosures, disclosures, and more disclosures

Having already discussed the many disclosures that are necessary for fair value measurements, one would think the gamut of disclosures required under both GAAP and IFRS has been covered. Not even close.

That said, ASC 810 and ASC 860 under GAAP and IFRS 7, *Financial Instruments: Disclosures*, and IFRS 12, *Disclosure of Interests in Other Entities*, require significant disclosures intended to provide financial statement users with: (1) an understanding of the nature and extent of a transferor's continuing involvement with transferred financial assets, (2) how a transfer affects a transferor's financial statements, and (3) an entity's involvements with SPEs. These requirements expand on the disclosures that may also be required under related guidance, such as financial instruments, credit losses, and fair value.

Rules of the disclosure road

A transferor of financial assets into a securitization should be attuned to the following objectives of the disclosure requirements under ASC 860 to provide information on:

- A transferor's continuing involvement with financial assets previously transferred.
- Any restrictions on assets included on the balance sheet of the reporting entity relating to transferred financial assets, including their carrying amounts.
- The reporting of servicing assets and servicing liabilities.
- Transfers accounted for as either: (1) sales where the transferor has continuing involvement or (2) secured borrowings and how the transfer impacts each of the transferor's financial statements.

There are increased disclosure requirements as a result of the need for enhanced qualitative information concerning any risk related to a transferor's exposure from transferred financial assets and any restrictions on the transferred assets.

Transferors are provided discretion when preparing the disclosures with respect to presenting information at an aggregated level; as always, the preparer should present information in the footnotes to maximize their usefulness. If aggregated reporting is presented, then the transferor should disclose how similar transfers are aggregated and clearly distinguish between transfers accounted for as sales and those accounted for as secured borrowings.

When determining if aggregation is appropriate, information about the characteristics of the transfer should be considered including:

- The nature of any continuing involvement.
- The types of financial assets transferred.
- Any risks to which the transferor continues to be exposed after the transfer, and the change in the transferor's risk profile as a result of the transfer.
- Whether certain loan products increase the reporting entity's exposure to credit risk and thereby may result in a concentration of credit risk.

The transferor must find the right balance between obscuring critical information because of too much aggregation versus providing excessive detail that makes it difficult to understand the transferor's exposure.

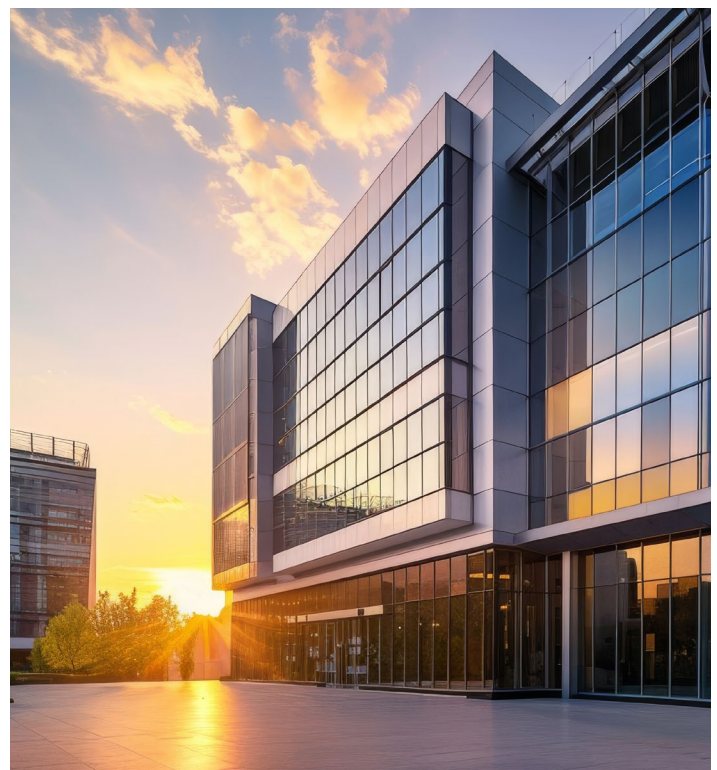
What if I have a secured borrowing?

If a transaction is accounted for as a secured borrowing, it could either result from the requirement to consolidate the securitization trust or a failure to relinquish effective control.

The objectives of the disclosures around secured borrowings are to provide the financial statement users with information on how the transfer of financial assets affects a transferor's financial position, financial performance, and cash flows.

Additionally, for secured borrowings resulting from the transferor consolidating the securitization trust, the following information should be disclosed:

- The significant judgments and assumptions made by a transferor in determining whether it must consolidate a VIE and/or disclose information about its involvement with a VIE.
- The nature of restrictions on a consolidated VIE's assets and on the settlement of its liabilities reported by the transferor in its balance sheet, including the carrying amounts of such assets and liabilities.
- The nature of, and changes in, the risks associated with the securitizer's involvement with the VIE.
- How a securitizer's involvement with the VIE affects the securitizer's financial position, financial performance, and cash flows.



The requirements also provide that depending on the facts and circumstances surrounding the VIE and the securitizer's interest in that entity, the information may also be aggregated by similar entities to the extent that separate reporting would not provide more useful information. Thus, a securitizer with multiple RMBS transactions that need to be consolidated may aggregate the information to the degree that disaggregation does not improve the disclosure, such as term transactions of prime loans versus subprime loans and subprime loans of different vintage. Securitizers should consider both qualitative and quantitative information about the differing risk characteristics of the VIEs, as well as the significance of the VIE to the securitizer, in determining the appropriate level of aggregation.

Differentiation should be made between those VIEs that are consolidated and those that are not consolidated but the securitizer has a variable interest in the entity. Additionally, the disclosure requirements under ASC 810 can be provided within more than one footnote of the financial statements so long as there is appropriate cross-referencing between the various footnotes.

Now, for the actual requirements

Whether a securitizer is the primary beneficiary and thus must consolidate the VIE, or even if the securitizer just has a variable interest in a VIE, the following must be disclosed:

- The methodology for determining whether the securitizer is the primary beneficiary of the VIE, including significant judgments and assumptions made in reaching that conclusion.
- If the facts and circumstances have changed leading to a change in the previously reached consolidation conclusion, the securitizer is required to disclose the primary factors that caused the change and the consequent impact on the financial statements.
- If, during the period covered by the financial statements, the securitizer has provided any financial or other support to the VIE that was not contractually required, including through implicit arrangements, or if the securitizer intends to provide such support, the financial statements should disclose information regarding the type and amount of support provided and the primary reasons the support was provided.

Additionally, the securitizer should provide qualitative and quantitative information about involvement with the VIE, including the nature, purpose, size, activities, and financing of the VIE.

If the securitizer is also the consolidator of a transaction, it should disclose:

- The gain or loss recognized upon initial consolidation of the vehicle.
- The carrying amounts and classifications of the VIE's assets and liabilities, including information regarding the relationships between those assets and liabilities. For example, if the assets may only be used to settle specific liabilities, that relationship should be disclosed.

- When the VIE's creditors or the beneficial interest holders do not have recourse to the general credit of the reporting entity.
- The terms of any explicit or implicit arrangements that could require the reporting entity to provide financial support to the SPE, including events or circumstances with the potential for the securitizer to incur a risk of loss.

What about those variable interest holders who are not the consolidator?

ASC 810 also requires specific disclosures for those reporting entities that hold a variable interest in a VIE but are not the primary beneficiary. In these circumstances, the disclosures include the carrying amount and classification of the assets and liabilities on the balance sheet that relate to the entity's variable interest in the VIE and the maximum exposure to loss from involvement with the VIE. The reporting entity will also need to disclose qualitative information about how the reporting entity's maximum exposure to loss was determined and the significant sources of exposure to the VIE. If the maximum exposure to loss cannot be quantified, that also must be disclosed.

Information with respect to the carrying amount of the assets and liabilities and the securitization party's exposure to loss should be presented in a tabular format. Both qualitative and quantitative information to provide a sufficient understanding of the differences between the two amounts should also be provided, including the terms of arrangements (both explicit and implicit) potentially requiring the variable interest holder to provide additional financial support. The reporting entity should also provide information about any support committed by third parties, including liquidity arrangements, guarantees, or other commitments.

More importantly, if the party to the transaction has not been identified as the primary beneficiary because of the existence of a shared power arrangement, the securitizer should disclose the significant factors that were considered and judgments that were made in determining that conclusion.

To the degree not disclosed already, for transfers of financial assets accounted for as secured borrowings, the securitizer should disclose the carrying amounts and classifications of both assets and liabilities recognized within the transferor's balance sheet for each period presented. Additionally, the securitizer should include qualitative information regarding the relationship between those assets and liabilities, such as if assets are restricted to satisfying a specific obligation and the nature of the restrictions placed on those assets.

Is separate presentation required for consolidated VIEs?

The guidance requires that entities consolidating a VIE separately present on the face of the balance sheet the: (a) assets of that VIE that can only be used to settle its own obligations and (b) liabilities of that VIE for which the creditors or beneficial interest holders of the VIE do not have recourse to the general credit of the primary beneficiary. This requirement has generated much discussion and debate, primarily because of the lack of guidance on how to apply this requirement to the balance sheet and that there is no similar requirement for presentation within the income statement and the statement of cash flows.

One of the common misconceptions about the separate presentation requirement is whether collapsing all of the VIE's assets into a single line item and all of the VIE's liabilities into a single line item is permitted. It is not permitted. Rather, this information should be presented on a line-by-line basis, so that a VIE's assets should not be combined as a single asset line item and its liabilities should not be combined as a single liability line item. Accordingly, the assets of the securitization trust (e.g., cash, loan receivables, and real estate owned property) should not be combined on the face of the balance sheet as a single line item unless they are the same category of asset.

Because ASC 810 does not provide specific guidance on application of the separate presentation requirement, there are various presentation alternatives available. One alternative would be for an enterprise to present receivables as one line item and parenthetically disclose the amount of receivables that are in a VIE and that meet the separate presentation criteria. A second alternative would be for an enterprise to present receivables in two separate line items (one line item for those that are in a VIE and meet the separate presentation criteria and another line item for all other receivables). There may be other acceptable alternatives. Fortunately, the separate presentation requirement does not need to be applied on a VIE-by-VIE basis.

Also, as mentioned above, ASC 810 is silent with regard to presentation requirements on the income statement and the statement of cash flows. An entity is permitted to present the activities of consolidated VIEs separately in both statements through an accounting policy election applied consistently to all consolidated VIEs.

I have sale accounting. What do I need to disclose?

For securitizations that achieve sale accounting and the transferor has some form of continuing involvement with those transferred assets, ASC 860 requires specific disclosures for each income statement period presented in the financial statements. The transferor should disclose:

- Information about the characteristics of the transfer, including the nature of the continuing involvement.
- The type and initial fair value of the assets obtained and any liabilities incurred as part of the transfer.
- The gain or loss recognized resulting from the sale.

For those initial fair value measurements, the transferor also should disclose the level at which the measurements fall within the fair value hierarchy, the key inputs and assumptions used in the measurement, and the valuation techniques utilized. For the key considerations in determining the fair value of the interests, see [chapter 9](#).

Also, the footnote disclosure needs to contain information about the cash flows between the transferor and transferee. ASC 860 requires disclosure of proceeds from new transfers, proceeds from collections reinvested in revolving facilities, purchases of previously transferred assets, servicing fees, servicing advances, and cash flows received from a transferor's beneficial interests in the transferred assets.

For each balance sheet presented in the financial statements, the following disclosures are required regardless of when the transfer occurred:

- Transferors should provide qualitative and quantitative information regarding their continuing involvement. The purpose of this requirement is to provide users of financial statements with information necessary to assess the reason for the continuing involvement and the exposure to risks the transferor retains.



- Transferors should also disclose the extent of any changes in their risk profile as a result of the transaction, including consideration of credit risk, interest rate risk, and other risks. Information to be disclosed as a result includes:
 - The total outstanding principal amount, the amounts derecognized, and any amounts that continue to be recognized in the balance sheet.
 - Information on any arrangements that could require the transferor to potentially provide financial support to the transferee or its beneficial interest holders and whether any financial support has been provided in the periods presented, including the type and the amount of support and the primary reasons for providing the support.
 - Information about any third-party-provided liquidity arrangements, guarantees, or other commitments related to the transferred financial assets.
- Securitizers should disclose their accounting policies for subsequent measurements of the assets or liabilities related to the continuing involvement, as well as the key inputs and assumptions used in measuring the fair value of those assets or liabilities, including quantitative information about discount rates, expected prepayment speeds, and anticipated credit losses.
- Transferors should conduct a sensitivity analysis or stress test, usually presented in tabular format and displaying the hypothetical effect on the fair value of the transferor's interests in the transaction of two or more unfavorable variations from the expected levels for each key assumption. To this table, a description of the objectives, methodology, and limitations of the sensitivity analysis or stress test should also be disclosed.
- Finally, the securitizer should disclose information on the quality of the transferred financial assets, along with information on the same asset classes that are managed by the securitizer. This information should be categorized as pertaining to those assets derecognized and those that continue to be recognized within the balance sheet, and should include, but is not limited to, delinquencies and credit losses, net of recoveries.

What are the disclosure requirements with respect to servicing assets and servicing liabilities?

For recognized servicing assets and servicing liabilities, securitizers should disclose:

- The basis for determining the classes of servicing assets and servicing liabilities.
- A description of the inherent risks associated with servicing assets and servicing liabilities, and a description of any instruments used to mitigate the income statement impact of changes in fair value of servicing assets and servicing liabilities.
- The amount of contractually specified servicing fees, late fees, and ancillary fees earned, including where each of those amounts is recorded, for each income statement period presented.

- Quantitative and qualitative information regarding the assumptions used to estimate fair value, such as discount rates, anticipated credit losses, and prepayment speeds.

For those servicing assets and servicing liabilities subsequently measured at fair value, ASC 860 also requires a disclosure of where the changes in fair value are reported in the income statement for each period presented and a rollforward of the activity for each class of servicing assets and servicing liabilities, including the beginning balance, additions from: (1) purchases of servicing assets or assumptions of servicing obligations and (2) recognition of servicing obligations that result from transfers of financial assets, disposals, changes in fair value, and the ending balance.

For those servicing assets and servicing liabilities carried at amortized cost, ASC 860 requires: (1) disclosure of the changes in the carrying amount of the servicing assets and servicing liabilities, (2) where such changes are reported in the income statement, and (3) a rollforward of the activity for each class of servicing assets and servicing liabilities. These disclosures should include: (1) the beginning balance, (2) additions from purchases of servicing assets or assumptions of servicing obligations, and (3) additions from recognition of servicing obligations that result from transfers of financial assets, disposals, amortization, application of any valuation allowance to adjust the carrying value of servicing assets, any other-than-temporary impairments, any other changes that affect the balance and a description of those changes, and the ending balance. Additionally, for each class of servicing assets and servicing liabilities carried at amortized cost, securitizers should disclose the fair value of those recorded servicing assets and servicing liabilities at the beginning and end of the period. Finally, the risk characteristics considered in the measurement of any impairment of servicing assets and a rollforward by class for any recognized impairment of servicing assets carried at amortized cost should also be disclosed.

What about segment reporting?

Footnote reporting of operating segments in ASC 280, *Segment Reporting*, is driven by the boss. The identification of operating segments depends on how the company reports operating results to the chief executive officer, chief operating officer, or whichever person or group makes resource allocation decisions for the company as its "chief operating decision-maker." A primary purpose of segment disclosures is to show readers how a company is managed, so different companies will likely have different segments, even if they are in similar businesses.

Depending on how VIEs are reported internally for management purposes, they could either represent one or more separate segments, or they could become part of an existing segment or two.

It is hard to imagine that a consolidated VIE would not be an operating segment, or part of one, because even VIEs would have the segment characteristics of:

- (a) Business activities generating revenues and expenses, reported as
- (b) Discrete financial information, subject to
- (c) Regular review to assess performance and allocate resources.

A segment should be reported if it meets one of the 10 percent significance thresholds (combined internal and external revenues, absolute value of segment profit or loss, and combined segment assets). Segments representing at least 75 percent of external revenue should be shown. Segments with similar economic characteristics, such as gross margin, products, services customers, production, distribution, and regulatory environment, can be combined for reporting. Segment reporting is required in both annual and interim financial statements for public companies.

Are there any other disclosures to consider?

In addition to the disclosures discussed above, there are likely incremental disclosures that should also be considered. These additional requirements may include, but are not limited to, those related to fair value measurements, derivatives, or disclosures required for credit losses (e.g., for those loans within consolidated securitization structures measured on an amortized cost basis).

Reporting entities will need to consider all the potential additional disclosures that may be required from the consolidation of the securitization structures where they are determined to be the primary beneficiary.

Illustrative disclosure¹—sale accounting securitizations with continuing involvement²

The bank securitizes a variety of loans, including residential mortgage, commercial real estate, credit card, and automobile loans through sponsored SPEs. In a securitization, the bank transfers assets to an SPE, which then converts those assets into cash through the issuance of debt and equity instruments, certificates, commercial paper, and other notes of indebtedness. The bank's continuing involvement with securitizations for which sale accounting is achieved typically is in the form of servicing the loans held by the SPEs or through holding a residual interest in the SPE. These transactions are structured without recourse, so the bank's exposure is limited to standard representations and warranties as seller of the loans and responsibilities as servicer of the SPE's assets.

The following table details the total principal outstanding as well as historical loss and delinquency amounts for the managed portfolio for 20X3 and 20X2 (\$ in millions) [for simplicity, disclosures for 20X2 are not included below]:

	Total principal amount of loans	Delinquent principal over 60 days	Average balance (optional)	Credit losses (net of recoveries)
Type of loan	At December 31, 20X3		Year ended December 31, 20X3	
Auto	\$120	\$6.3	\$132	\$4.6
Residential mortgage	982	46.8	970	35.6
Commercial mortgage	744	38.1	720	26.2
Credit card balances	74	5.0	79	6.0
Total loans managed	\$1,920	\$96.2	\$1,901	\$72.4
Composed of:				
Loans held in portfolio	\$452	\$22.6		
Loans held for sale or securitization	119	1.2		
Loans securitized	1,349	72.4		
Total loans managed	\$1,920	\$96.2		

1 This disclosure example is for illustrative purposes only and does not necessarily detail all information that may be required depending on specific facts and circumstances.

2 Some disclosure information has been provided on an aggregated basis rather than detailing out by product type, which may be more appropriate depending on the specific circumstances.





The following table provides information about the bank's maximum exposure to loss from continuing involvement with the sponsored SPEs.

Maximum exposure to loss in significant unconsolidated VIEs						
	Total involvement with SPE assets	Funded exposures		Unfunded exposures		
		Debt investments	Equity investments	Funding commitments	Guarantees and derivatives	
Auto	\$96	\$—	\$18.6	\$—	\$—	
Residential mortgage	741	30	18.8	—	—	
Commercial mortgage	438	25	11.5	—	—	
Credit card balances	74	—	14.2	—	—	
Total	\$1,349	\$55	\$63.1	\$—	\$—	

The bank recorded net gains from securitizations of \$53 million, \$78 million, and \$67 million during 20X3, 20X2, and 20X1, respectively. Net gains reflect: (1) the gain (loss) from new securitizations, (2) the reversal of the allowance for credit losses associated with receivables sold, and (3) the net gains on replenishing the SPE assets offset by any other-than-temporary impairments. The bank continues to perform servicing for some of these securitizations and recognized servicing assets of \$12 million, \$49 million, and \$32 million in 20X3, 20X2, and 20X1, respectively.

The following table summarizes selected cash flow information related to securitizations for the years 20X3, 20X2, and 20X1 (\$ in millions):

	20X3	20X2	20X1
Proceeds from new securitizations	118.4	326.8	23.2
Proceeds from collections reinvested in revolving receivables	90.1	165.8	124.5
Contractual servicing fees received	11.8	12.2	12.0
Cash flows received on retained interests and other net cash flows	6.2	16.3	14.2

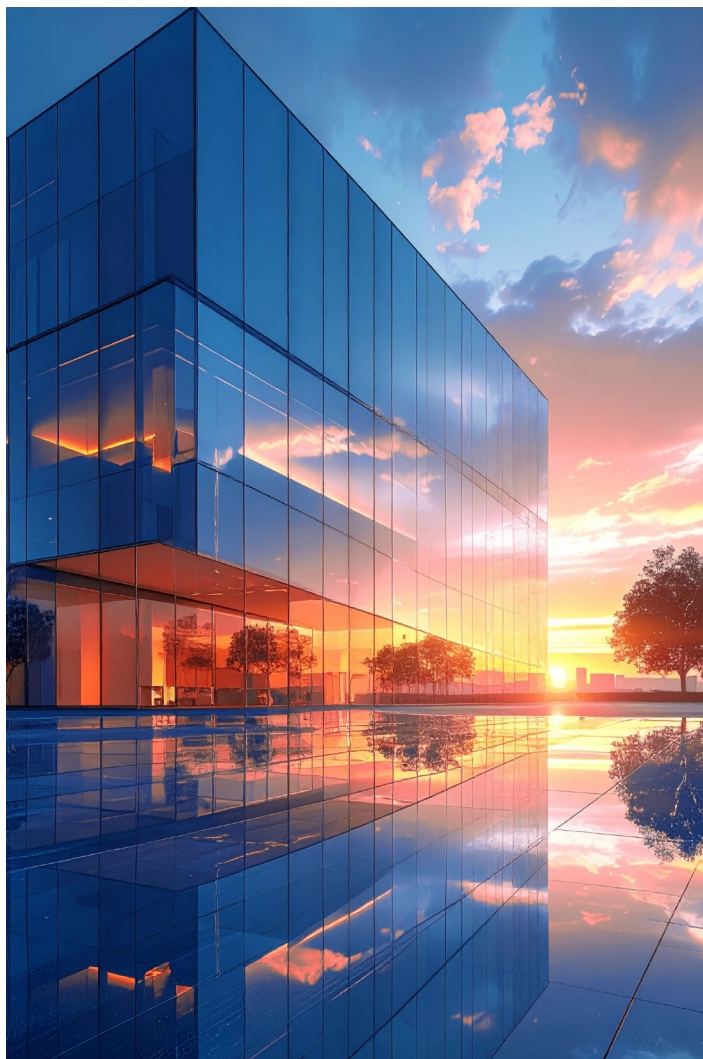
The bank carries retained interests in the bank's sponsored securitization SPEs as trading securities carried at fair value with changes in fair value recognized in earnings. The key economic assumptions used in measuring the fair value of the bank's retained interests resulting from securitizations completed during 20X3 and 20X2 (weighted based on principal amounts securitized) were as follows [for simplicity, disclosures for 20X2 are not included]:

	Auto loans	Credit card loans	Residential mortgage loans	Commercial mortgage loans
Prepayment speed (annual rate)	1.00%	15.00%	10.00%	8.00%
Weighted-average life (in years)	1.80	0.50	7.80	6.50
Expected credit losses	1.10%–2.40%	6.10%	1.25%	1.30%
Residual cash flow discount rates	13.3%	12.2%	11.6%	10.1%
Interest rates on adjustable loans and bonds	SOFR plus contractual spread ranging from 30 to 80 basis points			

At December 31, 20X3, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in those assumptions are as follows (\$ in millions):

	Auto loans	Credit card loans	Residential mortgage loans	Commercial mortgage loans
Balance sheet carrying value of retained interests-fair value	\$18.60	\$14.24	\$48.76	\$36.45
Weighted-average life (in years)	1.7	0.4	6.5	6.1
Prepayment speed assumption (annual rate)	1.3%	15.0%	11.5%	9.3%
Impact on fair value of 10% adverse change	\$0.3	\$0.6	\$6.3	\$4.6
Impact on fair value of 20% adverse change	\$0.7	\$1.2	\$12.8	\$9.0
Expected credit losses (annual rate)	3.0%	6.1%	0.9%	1.8%
Impact on fair value of 10% adverse change	\$2.2	\$3.3	\$1.1	\$1.2
Impact on fair value of 20% adverse change	\$4.4	\$6.5	\$2.2	\$3.0
Residual cash flows discount rate (annual)	14.0%	14.0%	12.0%	12.0%
Impact on fair value of 10% adverse change	\$1.0	\$0.1	\$1.6	\$1.2
Impact on fair value of 20% adverse change	\$1.8	\$0.1	\$2.9	\$2.5
Interest rates on variable and adjustable loans and bonds	SOFR plus contractual spread			
Impact on fair value of 10% adverse change	\$0.8	\$1.2	\$1.4	\$2.5
Impact on fair value of 20% adverse change	\$1.5	\$2.4	\$2.7	\$4.8

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (e.g., increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.



Illustrative disclosure—involvements with securitization SPEs³

The bank has various types of involvements with SPEs that hold financial assets and raise capital by issuing debt to third-party investors, which is supported by the cash flows of those financial assets. The SPEs are considered VIEs under GAAP. The bank is required to consolidate any VIEs in which the bank is deemed to be the primary beneficiary through having: (1) power over the significant activities of the entity and (2) an obligation to absorb losses or the right to receive benefits from the VIE, which are potentially significant to the VIE.

The bank is typically considered to have the power over the significant activities of those VIEs in which we act as the servicer or special servicer to the financial assets held in the VIE. The bank's servicing fees are typically not considered variable interests in the securitization SPEs; however, when the bank retains a residual interest in the SPE, either in the form of a debt note or equity interest, the bank will often have an obligation to absorb losses or the right to receive benefits that would potentially be significant to the SPE. In those instances, the bank would be identified as the primary beneficiary of the securitization SPE and required to consolidate the SPE within the bank's consolidation financial statements.

The bank is not required, and does not currently intend, to provide any additional financial support to the sponsored securitization SPEs. Investors and creditors only have recourse to the assets held by the SPE.

The following table summarizes the bank's involvements with VIEs for the years ended December 31, 20X3 and 20X2 [for simplicity, disclosures for 20X2 are not included] (\$ in millions):

Variable interest entities— December 31, 20X3	Consolidated		Unconsolidated		
	Carrying amount of assets	Carrying amount of liabilities	Principal amount of assets	Carrying amount of liabilities	Maximum exposure to loss
Automobile securitizations	88	80	—	—	—
Residential mortgage securitizations	645	607	328	328	6*
Commercial mortgage securitizations	432	396	212	212	4*
Credit card revolving securitizations	172	138	—	—	—
Total variable interest entities	1,337	1,221	540	540	10

* The bank's maximum exposure to loss results from the recorded mortgage servicing asset related to the residential and commercial mortgage securitizations.

³ This disclosure example is for illustrative purposes only and does not necessarily detail all information that may be required depending on specific facts and circumstances.

Does IFRS have specific disclosure requirements?

Similar to GAAP, the disclosure requirements under IFRS hit across multiple standards. In 2010, the IASB issued amendments to IFRS 7 to increase the disclosure requirements for transactions involving transfers of financial assets. These amendments were intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period (e.g., where transfers occur near the end of a reporting period). Most recently, IFRS 7 disclosure requirements were amended in 2014 by IFRS 9, which introduced new disclosures for credit losses and hedge accounting.

IFRS 7 requires specific disclosures relating to transfers of financial assets because it is considered to be important for users of financial statements to be able to evaluate the significance of such transactions and the risks retained, the nature of the risks and rewards to which the entity continues to be exposed, and the extent of its continuing involvement with the transferred asset.

The disclosures for transfers of financial assets required by IFRS 7 are by class of financial asset and can be provided either by type of financial assets (i.e., differentiating by characteristics of the assets) or by type of risks or rewards of ownership to which the entity remains exposed.

The objective of the disclosures is to help users of financial statements:

- a) To understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities.
- b) To evaluate the nature of and risks associated with the entity's continuing involvement in derecognized financial assets.

Transferred financial assets that are not derecognized in their entirety

When a transferred asset is not derecognized in its entirety, the transferor is required to disclose all of the following:

- a) The nature of the transferred assets.
- b) The nature of the risks and rewards of ownership to which the entity is exposed.
- c) A description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.

- d) When the counterparty(ies) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities, and the net position (the difference between the fair value of the transferred assets and the associated liabilities).
- e) When the entity continues to recognize all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.
- f) When the entity continues to recognize the assets to the extent of its continuing involvement, the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognize, and the carrying amount of the associated liabilities.

Entity's continuing involvement in derecognized financial assets

If a transferred asset is derecognized and the transferor retains a continuing involvement in the transferred financial asset, IFRS 7 requires the transferor to provide extensive disclosures. A transferor has a continuing involvement in the transferred asset if, as part of the transfer, the transferor retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset.

The transferor is required to disclose, at a minimum, for each type of continuing involvement at each reporting date:

- a) The carrying amount of the assets and liabilities that are recognized in the entity's statement of financial position and represent the entity's continuing involvement in the derecognized financial assets, and the line items in which the carrying amount of those assets and liabilities are recognized.
- b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognized financial assets.
- c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognized financial assets, and information showing how the maximum exposure to loss is determined.
- d) The undiscounted cash outflows that would or may be required to repurchase derecognized financial assets (e.g., the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable, then the amount disclosed should be based on the conditions that exist at each reporting date.

For each type of continuing involvement, the transferor is also required to disclose the following:

- a) The gain or loss recognized at the date of transfer of the assets.
- b) Income and expenses recognized, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognized financial assets (e.g., fair value changes in derivative instruments).
- c) If the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (e.g., if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):
 - (1) When the greatest transfer activity took place within that reporting period (e.g., the last five days before the end of the reporting period).
 - (2) The amount (e.g., related gains or losses) recognized from transfer activity in that part of the reporting period.
 - (3) The total amount of proceeds from transfer activity in that part of the reporting period.

In 2011, the IASB issued IFRS 12, which requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements.

For consolidated subsidiaries, an entity that is a parent should disclose information regarding:

- The composition of the group.
- Non-controlling interests (including summarized financial information about each subsidiary with material non-controlling interests).
- Significant restrictions on the parent's ability to access or use the assets and settle the liabilities of its subsidiaries.
- The nature of, and changes in, the risks associated with interests in consolidated structured entities.
- The effects of changes in its ownership interest that did or did not result in a loss of control during the reporting period.

IFRS 12 requires extensive disclosures to help users understand the nature and extent of an entity's interests in unconsolidated structured entities and the risks associated with those interests. IFRS 12 defines a structured entity as "an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity." Examples of structured entities include securitization vehicles, asset-backed financings, and certain investment funds. The required disclosures include (among others):

- The nature, purpose, size, and activities of the structured entity.
- How the structured entity is financed.
- The carrying amounts of assets and liabilities relating to interests in unconsolidated structured entities and how they compare to the maximum exposure to loss from those interests.
- Any support provided to an unconsolidated structured entity when there is no contractual obligation to do so (including the reasons for providing such support).



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