Report of the Due Process Oversight Committee (DPOC) meeting

Sydney, 8 April 2014

1. Update on technical activities

1.1 The DPOC received an update on technical activities.

Major projects

1.2 The DPOC noted that the issues related to the **IFRS 9 project** would be dealt with under a separate agenda item, but an issue was raised about the concerns raised by banks in particular about demands for disclosures being placed on them by prudential regulators and the requirements imposed by IFRS. This was notably a concern where prudential regulators were seeking more disclosure than was required in the financial statements and on a different basis, which could impact on the IASB. The IASB representatives acknowledged the need to be careful of confusion and referred to the need to keep open communications with the prudential regulators, but to communicate very clearly to stakeholders the differing perspectives that those regulators might have (for example, in assessing capital adequacy and in any asset quality review) compared to the IASB.

1.3 On **accounting for macro hedging,** the DPOC was informed that the IASB would shortly publish a Discussion Paper (DP), with a 180-day comment period, which was longer than the minimum 120-day period, given the very technical and complex nature of the issue.

1.4 On **insurance contracts**, the DPOC was updated on progress following the responses, outreach and detailed fieldwork that had been undertaken on the proposals in the IASB's revised Exposure Draft (ED), which had been issued in late June 2013. The DPOC was told that while there was broad support for the proposals, there remain some significant areas of concern, in particular around complexity and accounting mismatches. It was noted that the proposals in the IASB's ED had been developed in conjunction with the US Financial Accounting Standards Board (FASB). The FASB had issued its own ED in 2013, proposing a model developed through joint discussions with the IASB. However, in February 2014, the FASB decided that it would not pursue the model as outlined in its ED, but instead would make limited, targeted improvements to its existing Standards on insurance. That said, the FASB was clear that it would take account of the IASB's work in its own project. The DPOC questioned the convergence implications of the FASB's decision. The IASB representatives expressed a view that while the two Boards were not working on developing a joint converged standard, there would still be opportunities for achieving further convergence and obtaining improvements in comparability compared with the present situation.

1.5 The IASB was pressing on with redeliberating the issues raised in the responses to the June 2013 ED, in the light of the feedback received. In March 2014, the IASB sought the advice of the Accounting Standards Advisory Forum (ASAF) on a number of the targeted proposals in the ED and at its monthly meeting, the IASB made tentative decisions on two of the proposals as they related to non-participating contracts (unlocking the contractual service margin and recognising the effects of changes in the discount rate in Other Comprehensive Income). It was planned that the IASB would continue to redeliberate the proposals in the 2013 ED during 2014.

1.6 The DPOC noted that discussions were continuing on the **leases project,** which was a joint project with the FASB. The response to the second ED on leases, which had been issued in May 2013, had been substantial, generating 640 comment letters. The report to the DPOC noted that, during the comment period extensive outreach activities had been undertaken focussing in particular on obtaining feedback from users of financial statements (with meetings involving over 220 investors and analysts), which had revealed support from the majority of users for the proposal to recognise lease assets and liabilities on the balance sheet. While there was praise for the Boards' efforts to respond to concerns regarding the proposals issued in the original ED (issued in 2010), there remained considerable concern about the cost and complexity of the proposals in the second ED.

1.7 The boards had started their redeliberations. In terms of progress, the DPOC was informed that, in preparation for the joint meeting with FASB in March 2014, the IASB had consulted a number of its advisory bodies:

a. IFRS Advisory Council - the IASB sought advice on the strategy for the project. The Advisory Council members were supportive of the project overall, encouraging the IASB to move forward and finalise the project on a timely basis;
b. ASAF - the IASB sought the views of ASAF members on all of the key technical issues on the project, including the lessee and lessor accounting models;
c. Capital Markets Advisory Committee (CMAC)—the IASB sought the views of CMAC members on which of the possible ways forward for lessee accounting would provide the most useful information for investors and analysts; and
d. Global Preparers Forum (GPF)—the IASB sought the views of GPF members on the possible ways that the boards could reduce the costs and complexity of the proposals in the 2013 ED.

1.8 At their joint meeting in March 2014, the IASB and FASB had reached a number of tentative decisions on both the models for lessee and lessor accounting, scope simplifications for 'small-ticket' leases, and the determination of the lease term. The DPOC noted that the two Boards were united on the balance sheet approach for lessees, but had come to different conclusions on the recognition and presentation of lease expenses in a lessee's income statement. On a portfolio basis, the difference in effect in the income statement would not be significant. It was also noted that both boards had decided essentially not to change the existing lessor requirements. The DPOC asked about the extent to which the IASB and the FASB proposals would remain converged. The IASB representatives noted that the two Boards had emphasised at the March 2014 meeting that the project would continue on a joint basis. It was also noted that their approaches would be converged on the most important aspect of the project, which was to have assets and liabilities for all leases recognised on the balance sheet, even if there were differences relating to the income statement.

1.9 On **rate-regulated activities**, the DPOC was updated on the progress of the comprehensive project. The IASB was analysing the common features of rate regulation that were considered as being most important to distinguish the rights and obligations created by some types of rate regulation from the rights and obligations applicable to non-rate-regulated entities that had the biggest effect on the amount, timing and certainty of cash flows and the stability of 'regulated' earnings. This analysis had been developed to help identify which feature(s), if any, created special economic conditions for which a specific accounting model might need to be developed. The DP would be based on these distinguishing features and would outline a number of potential approaches to developing an accounting model.

1.10 The DPOC was presented with a copy of the paper to be considered by the IASB at its meeting in April 2014, when the IASB would consider the due process steps taken so far on the research project and the staff would be seeking permission to start balloting the DP. The DPOC was informed that the proposal was for the DP to have a 150-day comment period, which was longer than the standard 120 days but which was thought necessary to provide time for education on, for example, what constituted rate-regulated activities. Extra time at this stage would help and was not thought to be inconsistent with the views expressed by the DPOC at its January 2014 meeting when considering the due process lifecycle review of the interim Standard (IFRS 14 *Regulatory Deferral Accounts)* that it was important that the comprehensive project should be completed as quickly as possible.

1.11 On **revenue recognition**, the DPOC was informed that balloting was complete on the proposed new Standard and was expected to be issued in the second quarter of 2014. Given that the Standard was a joint one with the FASB, the drafting was taking longer than would normally be the case. Good progress was being made in working to establish the revenue implementation group. The plan was that the IASB and the FASB would announce the composition of the group around the time the Standard was issued. The proposals for the group would be brought to the DPOC in advance for its review.

1.12 On the **conceptual framework** project, the DPOC was informed that the IASB had received over 220 comment letters to the DP that had been issued in July 2013. The IASB had also carried out extensive outreach, including holding a number of public roundtables, and had consulted its advisory groups, in particular the ASAF, which was acting as the consultative group on the conceptual framework project. The advice of the ASAF had been sought at its meeting in March 2014 on the strategy for some of the sections of the Conceptual Framework. It was noted that many respondents had expressed the view that the IASB should reconsider a number of aspects of the Framework that had been published in 2010, in particular the treatment of prudence, reliability and stewardship. The IASB would redeliberate the Framework in the second and third quarters of 2014 with the aim of publishing an ED by the end of 2014.

1.13 The DPOC was updated on the level of debate that had been generated with regard to issues such as prudence, reliability and stewardship. It was noted that that debate was at both a technical level and a political one. The IASB's redeliberations would cover these issues.

Implementation and maintenance projects

1.14 The DPOC was updated on the progress of a number of the implementation and maintenance projects on the IASB's work plan.

1.15 On **IAS 1 - disclosure initiative** the DPOC was informed that the IASB was working on a number of proposed amendments to the Standard. The IASB had issued an ED of narrow-focus amendments to IAS 1 on 25 March, with a comment period of 120 days. The proposed amendments were intended to clarify, rather than significantly change, existing requirements.

1.16 The DPOC was informed that the project on **IAS 41 - bearer plants** was continuing to progress. At its meetings in February and March 2014, the IASB had redeliberated the proposals in its June 2013 ED in the light of the comments received. The IASB had tentatively decided to amend the definition of bearer plants to clarify that the likelihood of selling a bearer plant as a living plant or harvesting it as agricultural produce, except for incidental scrap sales, must be remote. The IASB was scheduled to review the due process steps undertaken on this project at its April 2014 meeting and decide whether it had undertaken sufficient consultation and analysis to begin the balloting process for the limited amendments that would be needed to IAS 16 and IAS 41. The DPOC was alerted to the fact that, should the IASB give a positive decision at its April meeting, the staff was planning to issue the final amendments in June. As a consequence, the lifecycle review of the project would need to take place before the DPOC's next meeting in July. The plan was for the staff to circulate the lifecycle review to the DPOC by e-mail and, if necessary, to organise a conference call for the Committee.

1.17 The DPOC noted that the ED on **IAS 27 – Equity method in separate financial statements** had been issued with only a 60-day comment period, which was shorter than normal, but was reassured that there had been no complaints about the reduction in the comment period.

1.18 The DPOC was informed that the IASB's **research programme** was developing and would be increasingly important in helping to demonstrate the importance of understanding a financial reporting problem before resources were committed to developing new financial reporting requirements. The IASB would not be undertaking all the research itself, but would be calling on the resources of other parties, including other standard-setters and academics.

1.19 The DPOC noted that the timelines for a number of projects had slipped. In the case of accounting for macro-hedging, this was a reflection of the fact that it was a complicated issue involving some complex language which required careful drafting. The timing of a number of implementation projects had slipped, both because of the priority given to the macro-hedging project and, in some cases, to group together issues so that the proposals could be issued for comment as a package.

1.20 In the case of all the major projects and implementation projects discussed, the DPOC was satisfied that all the due process requirements as set out in the *Due Process Handbook* were being met.

2. Forthcoming publication of final version of IFRS 9 *Financial Instruments:* overview and due process 'lifecycle' review

2.1 The DPOC received reports outlining the strategy for the forthcoming publication of the final version of IFRS 9, together with summaries of the lifecycle reviews of the due process to date on the phases of the project dealing with (a) expected credit losses (impairment) and (b) classification and measurement limited amendments.

Overall plans for publication

2.2 The DPOC was informed that the IASB's plan was to publish the final version of IFRS 9 by the end of the second quarter or early in the third quarter of 2014. This would replace the previous versions of IFRS 9 (issued in 2009, 2010 and 2013) and incorporate not only the phases of the project on impairment and classification and measurement, but also hedge accounting. The report to the DPOC noted that this had been referred to in a speech by Hans Hoogervorst in March 2014 as bringing to a conclusion the IASB's work in response to the global financial crisis.

2.3 The DPOC was informed of three aspects of the IASB's plans related to the issue of IFRS 9:

a. a stakeholder engagement strategy – IFRS 9 was being issued as a single package of requirements. The emphasis was that it was a package and must be applied as a whole (only the own credit risk requirements could be applied separately). The IASB planned to focus on ensuring stakeholders understood IFRS 9 and its associated benefits and costs. The DPOC noted that the IASB planned to prepare a variety of supporting materials to inform stakeholders and was informed of the key messages that the IASB planned to stress in respect of the three phases referred to above (impairment, classification and measurement, and hedge accounting);

b. mandatory effective date – the DPOC was informed that the IASB had decided on a mandatory effective date for IFRS 9 of 1 January 2018, which balanced the desire to have the new model effective, the timeline for entities to put the necessary systems changes into place, and the desire to allow time to progress the insurance contracts project. Entities would be permitted to early apply, although it was not anticipated that many would do so; and

c. publication plan – the IASB staff planned to submit two pre-ballot drafts to the IASB in order to provide Board members ample opportunity to consider the final drafting and ensure a quality outcome.

Impairment: due process lifecycle review

2.5 On **financial instruments: impairment,** the DPOC was reminded that this was one of the most critical and difficult parts of the IASB's project to overhaul the accounting for financial instruments. The DPOC received a report summarising the due process to date on the project, which had been through no less than five rounds of consultation, dating back to the 2008 Discussion Paper (DP) *Reducing Complexity in Reporting Financial Instruments*. There had been three EDs on the issue (one had been labelled a Supplementary Document (SD), but in effect it was another ED). The DPOC was reminded of the impetus that had been given to impairment as one of the major financial reporting issues arising from the financial crisis and the recommendation in the July 2009 report of the Financial Crisis Advisory Group (FCAG) that the IASB should explore alternatives to the incurred loss model for loan loss provisioning that used more forward-looking information. The DPOC was reminded that the project had been conducted jointly with the FASB and that the intention had been to develop a converged approach, the importance of which had been stressed by the G20, the Financial Stability Board (FSB) and others.

2.6 The review report to the DPOC referred to the extensive outreach that had been undertaken throughout the life of the project. For example, during the comment period of the June 2009 *Request for Information on the feasibility of the expected cash flow model* (the RFI), extensive outreach had been conducted, involving 30 one-on-one and small group discussions with different financial and non-financial entities, auditors, regulators and others, covering different geographical areas. In addition, the IASB had set up an Expert Advisory Panel (EAP) of credit risk experts to consider the operational issues arising from the proposals. The EAP had not been formally convened since the first ED, but members of the EAP had been used as a sounding board throughout the life of the project and had proved to be very useful. Once the Standard was issued, the IASB would take steps to formally wind up the Panel.

2.7 During the comment period of the January 2011 SD *Financial Instruments: Impairment,* the IASB and FASB organised and conducted a joint outreach programme that encompassed commentary from over 1,000 constituents, representing over 100 organisations in all. Extensive outreach had also been conducted during the comment period of the 2013 ED *Financial Instruments: Expected Credit Losses*, together with detailed fieldwork carried out by 15 participant entities on representative portfolios of financial instruments that was designed to provide feedback on the complexity of applying the proposals, to provide information about the responsiveness of the model over a period of time using assumptions about economic variables, and to give an indication of the overall effect on allowance balances compared to current impairment requirements.

2.8 In May 2011, the IASB and the FASB had decided to develop a model that would reflect the general pattern of deterioration in the credit quality of financial instruments. This was the so-called 'three-bucket model', under which the amount of the expected credit losses recognised as a loss allowance or provision would depend on the level of deterioration in the credit quality of financial instruments since initial recognition. However, in August 2012, in response to feedback received from interested parties in the US, the FASB began to explore an alternative model that reflected all credit risk at each reporting date.

2.9 Following an outreach exercise, the IASB decided to continue to pursue a model that was similar to the three-bucket model. The IASB's 2013 ED had been well received, with support expressed by users of financial statements, preparers and audit firms. The FASB, at its meeting in December 2013, had elected to proceed with its model under which lifetime expected credit losses were recognised on all financial instruments at initial recognition and measured thereafter on this basis. The different perspectives and decisions taken by the two boards were reflected in the feedback from their respective constituents. In the US, there appeared to be a stronger link to prudential aspects, even in general purpose financial statements, than there was in the rest of the world. In terms of the views of prudential regulators, views varied. The DPOC enquired what would be the attitude of users if both IFRS and prudential figures for impairments were disclosed. The view taken was that users would welcome the disclosure of both, in that it would provide a greater level of information.

2.10 The DPOC was informed that, at its February 2014 meeting, the IASB had considered the position taken by the FASB, at the same time as it reviewed the due process steps undertaken on the project. It was noted that the issue of convergence had been discussed at length throughout the course of the project and that the IASB was made aware of the different path that the FASB was tentatively deciding to pursue before being asked for permission to ballot. From a due process perspective, the IASB confirmed that it was confident that it had taken all necessary steps and had sufficient information and feedback to move forward to finalise the impairment requirements. The DPOC was reminded that, at its meeting in January 2014, the IASB representatives had confirmed that the FSB now accepted that there would not be convergence on impairment, but wanted to see the impairment proposals in place as soon as possible. The IASB had agreed to hold a session with some FSB members that were regulators to see what steps could be taken, if any, to address the lack of convergence between the IASB and the FASB. In finalising the proposals, the IASB was planning to go through a careful fatal flaw process, but would not issue an editorial review draft for wider comment.

2.11 The DPOC noted that the due process on the project had been extensive and that all constituents had been give opportunities to participate. The DPOC noted that the only due process event that had not been held was public roundtables. Given the specialised, technical nature of the project, the IASB had taken the view that a general roundtable would not have resulted in fresh insights being provided. The DPOC acknowledged that the more targeted outreach and fieldwork undertaken had been an appropriate approach to take. The level of due process on this project had been necessary to demonstrate that the IASB had done all it could have reasonably been expected to do to engage constituents, including prudential regulators, and to explore as much as possible the prospect for convergence with the US. The DPOC was satisfied that the project had completed the due process steps necessary for the IASB to move to final balloting of the impairment requirements to be incorporated into IFRS 9.

Classification and measurement limited amendments: due process lifecycle review

2.12 The DPOC received a report summarising the due process to date on the project on **financial instruments: classification and measurement**. The DPOC was reminded of the origins of this project to make limited amendments. The IASB had issued the chapters of IFRS 9 that set out new requirements for the classification and measurement of financial assets in November 2009, adding requirements for the classification and measurement of financial liabilities in October 2010. Subsequently, the IASB proposed to consider making limited amendments to the classification and measurement requirements for three main reasons:

a. application questions related to the classification of specific financial assets had been raised by interested parties in various jurisdictions who had chosen to apply IFRS 9 early or had reviewed IFRS 9 in detail;
b. the IASB had stated that the interaction between the classification and measurement of financial assets under IFRS 9 and the accounting for insurance contract liabilities would be considered once the insurance contract model was developed sufficiently; and
c. the IASB had issued IFRS 9 while the FASB was still developing its classification and measurement model. While convergence efforts were complicated by different project timetables, the IASB and FASB remained committed to increased comparability.

2.13 The IASB decided in November 2011 to consider making limited amendments to IFRS 9 and, in January 2012, the IASB and FASB decided to jointly deliberate particular aspects of their respective classification and measurement models with the objective of reducing key differences. These joint deliberations resulted in the IASB's November 2012 ED and a subsequent (February 2013) proposed Accounting Standards Update from the FASB. Given the different starting points of the two Boards, the drafts were not identical, but the key aspects of the boards' proposals were largely aligned.

2.14 The DPOC was reminded that the main changes proposed in the IASB's ED were to clarify the notion of principal and interest, to introduce a Fair Value through Other Comprehensive Income (FVOCI) category for simple debt investments (ie those where the contractual cash flows were 'solely payments of principal and interest', SPPI), and to propose clarifications of the concept of 'holding to collect' contractual cash flows. Joint deliberations by the IASB and the FASB had started in September 2013 (the FASB having issued its own ED in February 2013). While it was hoped the outcome would bring the requirements in IFRSs and US GAAP closer together, the DPOC was informed that the FASB had made a number of tentative decisions since December 2013 that indicated that it would not proceed with the proposals set out in its ED.

2.15 The DPOC was informed that, at its February 2014 meeting, the IASB had considered the tentative position taken by the FASB, at the same time as it reviewed the due process steps undertaken on the project. In February 2014, after redeliberation on all the technical issues of the November 2012 ED, the IASB noted that the revisions to that ED largely confirmed and clarified the proposals in response to the feedback received. While the IASB's preference was to achieve convergence, given the efforts undertaken to achieve this, the difference in opinions received from US and non-US stakeholders, and the desire to complete IFRS 9, the IASB decided to press ahead.

2.16 From a due process perspective, the IASB confirmed that it was confident that it had taken all necessary steps and had sufficient information and feedback to move forward to finalise the limited amendments to the classification and measurement requirements. The DPOC was satisfied that the project had completed the due process steps necessary for the IASB to move to final balloting of the classification and measurement requirements to be incorporated into IFRS 9.

An Impairment Implementation Group?

2.17 The IASB was considering what post-issuance support it should and could provide on the impairment provisions to be incorporated into IFRS 9, given that the magnitude of the changes would pose implementation and systems challenges. One possibility under active consideration was to establish an Impairment Implementation Group, similar in concept to the Revenue Implementation Group that was being set up. The Group would be a limited-life group (focused on the transition period) that would provide a forum for the discussion of issues arising from the implementation of the new Standard. It would not provide authoritative guidance. If any discussions implied that authoritative guidance was necessary, then a recommendation would be made to the IFRS Interpretations Committee (IFRIC) or the IASB.

2.18 Any deliberations by the Group, if formed, would be held in public, with issue papers used in any discussion publicly available on the website.

2.19 In terms of the proposed composition of such a group, the IASB's view was that it should reflect the technical nature of likely implementation issues, which might entail a large representation of subject matter experts from the accounting firms.

2.20 The DPOC was content in principle with the proposal to set up such a Group. If such a Group was set up, the DPOC recommended that the group should have a formal charter limiting its scope to implementation feedback and making clear that any matters pertaining to authoritative guidance should be referred to IFRIC or the IASB. The DPOC noted that this proposal would be discussed with the IFRS Advisory Council at its meeting in June 2014.

3. Effects Analysis Consultative Group

3.1 The DPOC received a progress report on the work of the Effects Analysis Consultative Group (EACG), which had been set up to advise the IASB in developing an agreed methodology for field testing and effects analyses. The EACG had met four times and was continuing the process of preparing a report of its recommendations to the IASB. The draft of the EACG's report that was presented to the DPOC reflected the group's evolving thinking and had been restructured from an earlier draft that had been seen by the DPOC at its meeting in October 2013, with a focus given to two main aspects:

a. Principles for assessing and reporting the likely effects of new financial reporting requirements; and

b. Application Guidance for assessing the likely effects of new financial reporting requirements, including articulating the type, and depth, of analysis that should be undertaken at each stage of a project to develop a new or amended IFRS.

3.2 The DPOC took note of the EACG's emerging recommendations, noting that the focus of the IASB's review of the likely effects of a potential change in financial reporting requirement should reflect the objective of financial reporting, which related primarily to improving the transparency of financial reporting about an entity. This was in line with the caution expressed by the DPOC at its October 2013 meeting that an effects analysis should be consistent with the objectives of financial reporting as set out in the *Conceptual Framework*. That said, the EACG's view was that there was a need to acknowledge that the IASB did not operate in a vacuum and in particular was proposing a recommendation that, without compromising its own objectives, the IASB should continue to engage with those charged with responsibility for financial stability, in particular members of the Financial Stability Board (FSB) to make the FSB aware of proposed changes to financial reporting to help the FSB achieve its objectives.

3.3 The DPOC also noted that the EACG was tackling the issue of transparency, in particular in relation to fieldwork. The IASB conducted a lot of fieldwork on its projects, but was not always able to make the names of participants or the detailed work available for others to review, as those who participated would only do so under conditions of confidentiality. Without the assurance of confidentiality, the IASB would not always be able to conduct such fieldwork. But confidentiality did raise issues of transparency, which was a general theme that the DPOC was continuing to monitor (see Section 5). The EACG acknowledged the efforts by the IASB to report in line with the general principle of reporting as transparently as possible while respecting requests for confidentiality.

3.4 The DPOC also noted that the EACG wanted the report to be of practical help to the IASB, so the draft set out application guidance that the EACG hoped that the IASB should be able to use to help build toolkits and develop processes for developing consultation and assessment plans that include fieldwork and for reporting effects. The IASB representatives confirmed that they were content with the thrust of the document.

3.5 The DPOC was content with the direction of the draft report, considering it represented an improvement on the earlier draft considered in October 2013. In terms of specifics, the DPOC asked that there was upfront in the report a definition of what was meant by effects analysis and why it was broader than the term 'cost-benefit analysis'. The DPOC also noted the proposal that there should be a separate effects analysis report issued with a final Standard. While that might be appropriate in all circumstances, it was important to retain a degree of flexibility. On timing, the plan was for EACG to finalise its report by the middle of June 2014, after consulting the IASB and the Advisory Council, with a final report scheduled to be received by the DPOC in July 2014.

4. IFRS Taxonomy (XBRL)

4.1 The DPOC received a progress report on the IASB's proposals to revise the due process for updating the IFRS Taxonomy. This followed up the discussion held by the DPOC at its meeting in January 2014, when the Committee had approved the staff recommendations that:

a. proposed interim IFRS Taxonomy releases should be the primary document for public consultation;

b. the annual IFRS Taxonomy would be a physical compilation of previous interim releases and would not be issued for public consultation; and

c. the proposed change would be effective immediately, ie would be applied to the 2014 annual IFRS Taxonomy (to be issued in February 2014) and all subsequent IFRS taxonomy releases.

4.2 At this meeting, the DPOC considered the staff's detailed proposals for revising what was currently referred to as the due process for XBRL activities. The purpose of the proposed changes was to further align the development of the IFRS Taxonomy with the IASB's standard-setting processes and to clarify the role of the IASB in the review and approval of the IFRS Taxonomy. Another major revision proposed was to reflect the different types of steps necessary to provide assurance about the quality of the IFRS Taxonomy, depending on whether the matters related to the content of the taxonomy or the technology used to manage it:

a. the **content** of the Taxonomy relating to the list of elements used to reflect IFRS disclosure requirements, IFRS Implementation Guidance, IFRS Illustrative Examples and items commonly disclosed in practice (common practice), even though they were not referred to explicitly in IFRS or an illustrative example. Proposed updates to the IFRS Taxonomy would be initiated when the IASB proposed to amend or replace an IFRS. For any content changes proposed, a document describing the changes would be issued for public comment; and

b. the IFRS Taxonomy **technology**, relating to features such as the technical syntax employed to publish the IFRS Taxonomy (including, but not limited to, XBRL), the taxonomy architecture and the specific data modelling or technique used. As above, a document describing any technology changes would be issued for public comment, together with draft taxonomy files. That said, given the special (XBRL) technical demands of the technology, the main review would rely on the input of the IFRS Taxonomy Consultative Group that was being established (see Section 6) and targeted outreach.

4.3 The DPOC was informed that the proposed new due process requirements provided for specific roles for the IASB. It noted that the IFRS Taxonomy was not part of IFRS and did not impose reporting requirements on entities that were required to comply with IFRS. Rather, the IFRS Taxonomy was a structured classification system of IFRS disclosures that was used to associate identifiers, which were recognisable by computers, to the information reported in financial statements prepared in accordance with IFRS. The IFRS Taxonomy was similar in nature to IFRS Illustrative Examples, which captured requirements without being prescriptive. The staff plan was for the IASB to play a role in determining that this was achieved, as well as being reassured that the Taxonomy did not add elements that would create a conflict with IFRS. The DPOC was informed that the IASB had still to discuss its potential role, which was scheduled for an education session in May 2014.

4.4 The DPOC questioned the proposal for IFRS Taxonomy consultation documents to have only 60-day comment periods. It was noted that a shorter timescale was more appropriate for such releases than for consultation documents on proposals to develop or amend the Standards themselves. The comment periods would themselves be part of the public consultation on the proposals to revise the due process for the IFRS Taxonomy.

4.5 The DPOC was content with the proposals as outlined. The Committee noted that the revised due process, once finalised, would need to be reflected in the Due Process Handbook. But first it was necessary to expose the proposals to revise the IFRS Taxonomy due process for public comment and the plan was to have an Invitation to Comment, following input from the IASB, the IFRS Taxonomy Consultative Group (when convened) and the IFRS Advisory Council. In terms of timing, a revised Invitation to Comment was scheduled to be presented to the DPOC for its approval at the meeting in July 2014.

5. Reporting of Outreach and Fieldwork, and Correspondence

5.1 The DPOC received an update on the staff's continuing efforts to improve the transparency of:

a. the reporting of feedback from **outreach** with investors and other users of financial statements, particularly with respect to those persons and/or organisations who wished to remain anonymous. It was noted that the staff was looking to further improve the reporting of such meetings and had started to prepare summary notes of individual meetings that were sent to the participants for their comments and validation. These individual notes were private, but formed the basis of summary reports to the IASB which were public papers. The DPOC was presented with examples of a paper summarising the outreach with users on the conceptual framework project and the results of a survey of users on a project on changes in net debt;
b. the reporting of the results of **fieldwork** undertaken on particular projects, noting in particular the results of the IASB's fieldwork carried out on the financial instruments: impairment project and on the insurance contracts project. Fieldwork was a very useful tool in that it provided the opportunity for detailed analysis of proposals.

5.2 The DPOC noted that no new correspondence cases had been submitted since the January 2014 meeting.

6. Consultative groups and DPOC engagement

6.1 The DPOC considered an update on the proposed memberships of a number of consultative groups.

SME Implementation Group (SMEIG)

6.2 The DPOC was reminded that, at its meeting in January 2014, it had been updated on the progress of the IASB's proposal to increase the size of the SMEIG to a maximum of 30 members as from July 2014, noting that a call for applications had been issued on 14 January 2014. The closing date for applications was 28 February. A total of 37 applications had been received. The applications received and the staff's proposals for the revised composition of the SMEIG (which were supported by IASB member Darrel Scott as Chair of the SMEIG) had been considered and approved by the IASB at its administrative session held in March 2014.

6.3 The proposal as approved by the IASB was that a total of 26 members should be appointed to the SMEIG (11 of whom were existing members). The IASB was content with the staff basing the selection of new members on:

a. their knowledge and experience in financial reporting of SMEs;
b. use of the IFRS for SMEs in their jurisdiction and their direct experience with the IFRS for SMEs;
c. their proven or expected ability to participate in discussions and communicate their views, and
d. achieving a broad geographical representation; and
e. for existing members, consideration of their individual contributions to the work of the SMEIG during their previous term.

6.4 The IASB agreed not to appoint a full complement of 30 members at this stage, preferring to hold a number of places vacant in case suitable candidates were identified at a later date, particularly any investors or other users of SME financial statements.

6.5 The proposed membership of the SMEIG, as approved by the IASB, was being brought to the DPOC for review to ensure that there was a satisfactory balance of perspectives. On geographical balance, the DPOC noted the spread of membership across the continents, with a higher than usual ratio of members from Africa and Latin America, reflecting among others things their use of the *IFRS for Small and Medium-sized Entities.* In terms of professional background, the DPOC noted that there was a preponderance of members from accounting firms, which reflected the fact that the financial statements of the types of entities on which the IFRS for SMEs was targeted were often prepared, as well as being audited, by practitioner firms.

6.6 In discussion, the DPOC questioned the preponderance of accounting firm members on the group and encouraged the staff to try to identify suitable candidates who were practitioners but not from the accounting firms, together with users of SME financial statements. With that caveat, the DPOC was content with the composition.

IFRS Taxonomy Consultative Group

6.7 The DPOC was reminded that, at its meeting in January 2014, it had approved the establishment of a new consultative group, the IFRS Taxonomy Consultative Group. Following that approval, on 29 January the IASB issued a call for application for members and appointed observers, with a closing date of 28 February. A total of 47 applications had been received. The applications received and the staff's proposals for the membership of the group had been considered and approved by the IASB at its administrative session held in March 2014.

6.8 The proposal as approved by the IASB was that a total of 20 members should be appointed to the IFRS Taxonomy Consultative Group. The IASB was content with the staff basing the selection of new members on:

a. good knowledge of the XBRL technical standards;

b. general taxonomy building or data modelling expertise related to IFRSs or IFRS financial statements; and
c. practical experience in applying the IFRS Taxonomy, either as a preparer, auditor, user or regulator.

6.9 The proposed membership of the IFRS Taxonomy Consultative Group, as approved by the IASB, was being brought to the DPOC for review to ensure that there was a satisfactory balance of perspectives. On geographical balance, the DPOC noted the lack of representation from Africa and Latin America. In respect of Latin America, the DPOC supported the IASB's encouragement to the staff to identify suitable candidates to join the group. The DPOC noted the spread of professional backgrounds of group members and the interest shown by regulators and standard-setters, both as members and appointed observers.

6.10 The DPOC considered, and was content with, the proposals made by the IASB for the appointments of the Chair and the Vice-Chair of the IFRS Taxonomy Consultative Group.

6.11 For both the above groups, the possibility of identifying suitable potential candidates from Saudi Arabia was noted.

Revenue Implementation Group

6.12 The DPOC was updated on the progress in establishing the revenue implementation group that was being set up in conjunction with the FASB. It was noted that the group would be chaired jointly by the Vice Chairs of the IASB and the FASB. The two Boards were working together to pull together the membership in a way that provided a good balance between IASB and FASB stakeholders.

DPOC engagement

6.13 On engagement, the DPOC noted that the Director for Trustee Activities had observed much of the meeting of the IFRS Advisory Council held in February 2014 and had reported positively on the level of attendance and the quality of participation and debate. The Chairman of the DPOC reminded the Committee that it had a responsibility to monitor the effectiveness of the bodies and consultative groups that supported the IASB and that a member of the DPOC (or the Director for Trustee Activities on behalf of the DPOC) should observe at least part of a face-to-face meeting of each of the major groups once a year and report back to the Committee to validate the breadth of attendance and an appreciation of the quality of dialogue. The DPOC should be proactive and have dialogues with the groups, which would also have the benefit of helping to address any potential problems with their operations. He invited DPOC members to submit attendance suggestions by e-mail.

7. Education materials: update

7.1 The DPOC received an update report on the material that the IFRS Education Initiative (EI) was developing in 2014 and the level of review that the staff planned should take place in each case. The DPOC was reminded that the Due Process Handbook (paragraph 6.44) specified the levels of peer review that should be applied to different categories of educational material and required the EI (in accordance with paragraph 6.45) to report periodically to the DPOC, identifying the material that it was developing and the level of review planned.

7.2 The DPOC noted the EI’s products being developed in 2014 and was satisfied with the level of planned review for each product.

END