Introduction

1. This paper analyses the IASB’s compliance with due process requirements over the course of the Impairment project, and considers whether the requisite steps to proceed to the Ballot Draft of the new impairment requirements to be included in IFRS 9 Financial Instruments, (ie the final version of Chapter 5 Impairment), have been met. In doing so, it presents:
   (a) the background of the Impairment project;
   (b) the present status of due process;
   (c) an analysis of compliance with due process steps; and
   (d) the staff’s view on whether compliance was achieved.

2. The IASB’s due process requirements, as set out in the Due Process Handbook issued in February 2013, describe the mandatory and optional steps to be taken before the publication of an IASB document. In considering the finalisation of an IFRS, the objective of due process is to ensure that the IASB is satisfied that it has undertaken sufficient consultation and analysis to justify its decisions.

Project background

3. The Impairment project is part of the IASB’s overall project to improve the accounting for financial instruments by replacing IAS 39 Financial Instruments: Recognition and Measurement.
4. A summary of the tentative impairment model developed to date is provided in AP 5D Overview of tentative expected credit loss model.

Preliminary deliberations

5. In March 2008 the IASB published for comment the discussion paper (the ‘DP’) Reducing Complexity in Reporting Financial Instruments. The comment period for the DP lasted until 7 September 2008. A total of 162 comment letters were received on the DP, which were analysed and the results presented to the IASB. The DP identified that the requirements for recognising impairment had been criticised for many reasons, and that impairment losses on financial assets measured using a cost-based method raised various issues including the delayed recognition of changes in credit risk. The DP went on to note that:

“In the long run, impairment issues have to be addressed if cost-based measures continue to be required or permitted.”

6. As part of the joint approach to deal with financial reporting issues arising from the financial crisis, the IASB and US Financial Accounting Standards Board (‘FASB’) established the Financial Crisis Advisory Group (‘FCAG’) in October 2008 to consider how improvements in financial reporting could help enhance investor confidence in the financial markets. The report of the FCAG, issued in July 2009, named “the delayed recognition of losses associated with loans, structured credit products, and other financial instruments by banks, insurance companies and other financial institutions” as a primary weakness of existing accounting standards. The FCAG went on to recommend that “the Boards should explore alternatives to the incurred loss model for loan loss provisioning that use more forward-looking information. These alternatives include an expected loss model and a fair value model.”

7. In June 2009 a request for information (‘the RFI’) on the feasibility of the expected cash flow (the ‘ECF’) approach was posted to the IASB website with responses

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1 March 2009 Agenda Paper 6A.
requested by 1 September 2009. The IASB received 59 responses by the comment letter deadline and 79 responses as of the time of the staff’s feedback analysis.\(^2\)

8. The staff conducted extensive outreach activities in conjunction with the RFI, involving 30 one-on-one and small group discussions with different financial and non-financial entities, auditors, regulators, and others. The discussions often involved numerous follow-on discussions with the same party. These outreach activities covered different geographical areas, including emerging economies.

**Exposure Draft—Financial Instruments: Amortised Cost and Impairment**

9. On 5 November 2009 the IASB issued the Exposure Draft *Financial Instruments: Amortised Cost and Impairment* (the ‘2009 ED’), which proposed an integrated measurement of amortised cost by adjusting the effective interest rate for the initial expectations of credit losses. The 2009 ED had an extended eight-month comment period ending on 30 June 2010. The IASB received 149 comment letters by the comment letter deadline and 179 as of the time of the staff’s July 2010 comment letter summary.\(^3\) A total of 192 comment letters were ultimately received on the 2009 ED.

10. The IASB also undertook significant outreach activities during the comment period. Groups consulted included preparers, auditors, regulators, and users of financial statements. Outreach activities included individual meetings, group meetings and a user questionnaire. In addition, the IASB, in conjunction with the FASB, set up an Expert Advisory Panel (the ‘EAP’) consisting of credit risk experts to consider the operational issues arising from the proposals.

11. The IASB has consistently noted that the 2009 ED most appropriately reflected the relationship between initial estimates of credit losses and pricing. This was accomplished through an effective interest rate that was adjusted for initial expectations of credit losses, and a carrying amount measured at amortised cost that was always equal to the present value of the expected future cash flows discounted at that credit-adjusted effective interest rate. Any changes to this carrying amount

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\(^2\) September 2009 IASB Agenda Paper 12A.

\(^3\) July 2010 IASB Agenda Paper 9A.
resulting from changes in credit loss expectations would have been recognised immediately in profit and loss.

12. In general, there was strong support for moving towards an expected credit loss (‘ECL’) impairment approach. However, many operational concerns were raised in relation to the 2009 ED, which the IASB and FASB attempted to address through the Supplementary Document (the ‘SD’).

**Supplementary Document—Financial Instruments: Impairment**

13. On 31 January 2011, the IASB and the FASB jointly published the SD *Financial Instruments: Impairment* as a supplement to their original Exposure Drafts. The SD had a two-month comment period that ended on 1 April 2011. The IASB and FASB received 180 comment letters by the comment letter deadline and 199 as of the time of the staff’s July 2010 comment letter summary\(^4\). A total of 212 comment letters were ultimately received on the SD.

14. During the comment period, the IASB and FASB organised and conducted outreach meetings with a variety of constituents including preparers, users, auditors, national standard-setters and regulators. The outreach plan encompassed constituents from across various jurisdictions including North America (the US and Canada), Europe, Asia, Oceania, and Latin America. The outreach meetings were conducted in the form of in-person meetings, phone calls, video conferences, and group forums. The joint outreach programme encompassed commentary from over 1,000 constituents, representing over 100 different organisations in all. Meetings were attended by both IASB and FASB members and by members of their respective staffs.

15. The SD required that an entity should recognise an allowance for expected credit losses (ECL) at an amount that depended on whether a financial asset was in the ‘good book’ or ‘bad book’. For the bad book, an entity would recognise lifetime ECL, whereas for the good book an entity would recognise an amount equal to the

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\(^4\) April 2011 IASB (FASB) Agenda Paper 4D (86).
greater of credit losses that are expected in the foreseeable future and a time-
proportionate amount of lifetime ECL\(^5\).

16. Overall, the boards did not receive strong support for the SD and there were differing
suggestions as to how to move forward that reflected significant geographical
differences in opinion. A decision was made to develop a variation of the previous
proposals, taking into account the feedback on the boards’ original Exposure Drafts
and on the SD.

**Joint deliberations**

17. The importance of achieving convergence compelled the IASB and FASB to jointly
develop a different expected credit loss model. In May 2011\(^6\), the boards decided to
develop a model that would reflect the general pattern of deterioration in the credit
quality of financial instruments, the so-called ‘three-bucket model’. In the three-
bucket model, 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.

18. In July 2012, the IASB and the FASB finished deliberating all the joint matters in the
development of a general framework for the three-bucket model. However, in
August 2012, in response to feedback received from interested parties in the US
about that model, the FASB began exploring an alternative expected credit loss
model that:

(a) did not use a dual-measurement approach; and

(b) reflected all credit risk in the portfolio at each reporting date.

19. Following the FASB’s announcement, the IASB conducted outreach to help it decide
whether it should continue to develop the three-bucket model. Overall, the majority
of participants in the IASB’s outreach, including users of financial statements,
supported a model that distinguishes financial instruments that have deteriorated in

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\(^5\) The time-proportional ECL is determined either by multiplying the lifetime ECL by the ratio of the
portfolio’s age to its expected life; or by converting the lifetime ECL for the remaining life of the portfolio into
annuities on the basis of the expected life of the portfolio and accumulating those annuities for the portfolio’s
age.

\(^6\) May 2011 IASB (FASB) Agenda Paper 6 (91).
credit quality from those that have not. However, some noted that their support for the model was dependent on whether the benefits of the information provided outweighed the costs of determining when financial instruments have deteriorated in credit quality. Consequently, the IASB decided to propose a model that was similar to the three-bucket model. However the IASB clarified and simplified that model to address the views that it had received.

**Exposure Draft—Financial Instruments: Expected Credit Losses**

20. On 7 March 2013 the IASB published the ED *Financial Instruments: Expected Credit Losses* (the ‘2013 ED’). The ED had a four-month comment period ending on 5 July 2013. The IASB received 175 comment letters as of the time of the staff’s July 2013 comment letter summary\(^7\). A total of 187 comment letters were ultimately received on the 2013 ED.

21. During the comment period, the IASB held outreach meetings with a variety of constituents including preparers, users of financial statements, auditors, national standard-setters, regional bodies with an interest in financial reporting and regulators. The outreach activities involved constituents from Africa, Asia-Oceania, Europe, North America and Latin America. The outreach meetings were conducted in the form of in-person meetings, phone calls, video conferences and round tables. Some user outreach meetings were held jointly with the FASB. In July 2013 the staff presented the IASB with a summary of the feedback obtained through those outreach activities\(^8\).

22. The IASB also invited a number of preparers to participate in detailed fieldwork to test and discuss the proposals\(^9\). The fieldwork 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 relative to current impairment requirements. 15 entities participated in the field work. The participants represented a range of jurisdictions including EMEA, Asia-

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\(^7\) July 2013 IASB Agenda Paper 5C, September 2013 Agenda Paper 5E.  
\(^8\) July 2013 IASB Agenda Paper 5B.  
\(^9\) July 2013 IASB Agenda Paper.
Oceania, North America and Latin America. Most of the participants were banks but some corporates also participated.

23. The 2013 ED, like the SD, seeks to approximate the outcome of the 2009 ED in regard to the economic relationship between the pricing of financial instruments and credit loss expectations, while addressing the operational challenges of the original 2009 proposals. The general model proposed required an entity to recognise lifetime ECL after a significant increase in credit risk has occurred and 12-month ECL on all other financial instruments.

Convergence

24. As mentioned in paragraph 17, convergence remained a key consideration of the IASB. Through the extensive due process steps undertaken over the course of this project the IASB has been able to obtain information about the importance placed on convergence by stakeholders and to understand where there were differences in opinion when comparing the models proposed by the IASB and the FASB, and the reasons for those differences. A thorough understanding of the issues surrounding convergence was obtained by exposing separate and common proposals at various points over the life of the project. While the analysis below focuses mainly on the most recent ED, the key themes have been fairly consistent over the life of the project—though the push for convergence was stronger earlier in the life of the project before it was apparent just how different and strongly held the views of US and non-US respondents are.

25. For many respondents to the 2013 ED convergence was still preferable, as long as it was not at all costs. Their preference for a converged impairment model was subject to it being similar to the impairment model proposed in the 2013 ED. Only a very limited number of respondents preferred convergence to the model most recently exposed by the FASB.¹⁰

26. Very few respondents demanded convergence at the cost of finalising the requirements in a timely manner. Many respondents urged the IASB to finalise the proposed model as soon as possible, with or without convergence.

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¹⁰ Proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)* issued December 2012
27. Generally preparers responding to the IASB expressed a preference for the IASB’s model. However, differences in views from the users of the financial statements were reported by the FASB and the IASB. The FASB reported that users of financial statements supported its model by a margin of 3 to 1\textsuperscript{11}. The IASB however reported on its outreach activities that a majority of non-US users preferred an impairment model similar to what was proposed in the 2013 ED, while the majority of US users preferred a model similar to what the FASB proposed\textsuperscript{12}.

28. Due to importance of the user perspective and due to the apparent inconsistency in feedback subsequent to the comment letter analysis discussed in July 2013, the IASB has conducted further outreach activities to understand the reasons for the difference in the feedback received by the IASB and FASB on their respective EDs.

29. In summary, the IASB identified the following:

(a) The starting point for loss allowances in accordance with US GAAP is different from the starting point of IFRS preparers. Rightly or wrongly, the IASB believe that this difference in starting point has influenced users’ perceptions of the two proposed models.

(b) The interaction between the role of prudential regulators and accounting impairment is historically stronger in the US.

(c) As a result of the history above, many users in the US place greater weight on the adequacy of loss allowances in the balance sheet.

(d) Because the boards’ proposals were finalised at different times, the initial outreach that was performed in the US (around the end of 2012) could not have been an accurate comparison of the two models simply because the IASB had not yet published its 2013 Exposure Draft.

30. During the redeliberations the IASB has been made aware of the feedback received from all respondents, including the users of financial statements. The issue of convergence has been discussed at length throughout the course of the project and the IASB is being made aware of the different path that the FASB has tentatively decided to pursue prior to being asked for permission to proceed to ballot. Refer to

\textsuperscript{11} See July 2013 Agenda Paper 5D
\textsuperscript{12} See July 2013 Agenda Paper 5A
Agenda Paper 5B for more information on the ways in which the IASB has addressed the significant issues raised by respondents to the 2013 ED, including convergence.

**Analysis of compliance with due process steps**

31. The following section presents the mandatory (minimum safeguards), non-mandatory (comply-or-explain), and other optional steps performed during the Impairment project. These steps are listed in the *Due Process Handbook*, as issued in February 2013, in paragraphs 3.41 to 3.45.

32. This section should be considered in conjunction with Appendix A of this document that provides a detailed account of the due process steps performed in the course of finalising the impairment phase of IFRS 9.

**Mandatory steps**

*Debating any proposals in one or more public meetings*

33. The IASB has held public meetings on the Impairment project from March 2009 to this meeting. Staff papers for these meetings have been posted and are available on the IASB website. All tentative decisions have been made in those public meetings, and summaries of the tentative decisions reached were posted on the IASB website after each meeting.

*Exposing for public comment a draft of any proposed new Standard—with minimum comment periods*

34. The IASB generally has a minimum comment period of 120 days. In the case of some re-exposure documents intended to focus on a narrow aspect of an Exposure Draft, rather than being a fundamentally different document, a period of 60 days may be permitted.

35. The IASB exposed for comment the Exposure Draft *Financial Instruments: Amortised Cost and Impairment* in November 2009. Because of the proposed changes to impairment accounting being quite substantial and having far-reaching operational considerations, the comment period was extended beyond the usual period in order to give respondents adequate time to understand the proposals and
provide feedback. The ED included a Basis for Conclusions and was approved for publication by thirteen of the fifteen board members. The 2009 ED had an extended eight-month comment letter deadline of 30 June 2010.

36. The IASB (and the FASB) published a supplement to the ED on 31 January 2011, *Financial Instruments: Impairment* (‘the SD’). Because the scope of the SD was limited to open portfolios and built upon the concepts in the 2009 ED, the SD had a comment period of 60 days ending on 1 April 2011. The SD included a Basis for Conclusions, but did not incorporate a page on formal IASB approval or dissenting opinions.

37. On 7 March 2013 the IASB published the ED *Financial Instruments: Expected Credit Losses*. The ED had a 120-day comment letter period ending 5 July 2013. The ED included a Basis for Conclusions and was approved for publication by thirteen of the fifteen board members.

*Considering in a timely manner those comment letters received on the proposals*

38. The IASB received a total of 192 comment letters on the 2009 ED. A comment letter summary was presented to the IASB in July 2010, covering the 149 letters received by the 30 June 2010 comment letter deadline.

39. The IASB and FASB received 212 comment letters on the SD and a comment letter summary was presented to the boards in April 2011, covering the 180 comment letters received by the 1 April 2011 comment letter deadline.

40. The IASB received 187 comment letters on the 2013 ED. A comment letter summary was presented to the IASB in July 2013, covering the 175 comment letters received by the 5 July 2013 comment letter deadline.

41. Any additional points raised in comment letters after the comment letter deadlines were analysed and incorporated into later agenda papers.

42. All the comment letters have been posted on the Impairment project page of the IASB website.

*Considering whether the proposals should be exposed again*

43. The staff recommend that the IASB should not re-expose the proposed impairment chapter for a further round of public comment, but the staff will ask at this meeting whether the IASB agrees with the staff recommendation (see paragraphs 61-65).
Reporting to the Advisory Council on major projects

44. This issue was reported to the Advisory Council as part of the reports of the technical work programme. In addition, it was discussed during the November 2010, February 2012 and June 2013 meetings. During discussions, the Advisory Council has had the opportunity to ask questions or provide comments about the project.

Non-mandatory steps

Publishing a discussion document (eg a Discussion Paper) before an Exposure Draft is developed

45. In March 2008 the IASB published for comment the Discussion Paper Reducing Complexity in Reporting Financial Instruments. The DP identified that the requirements for recognising impairment had been heavily criticised for many reasons, and that impairment losses on financial assets measured using a cost-based method raised various issues, including the delayed recognition of changes in credit risk. A comment letter summary was presented to the IASB in October 2008, covering the 157 comment letters received by the 19 September 2008 comment letter deadline. In March 2009 the staff presented another analysis of the total 162 comment letters received.

46. In June 2009 a request for information (RFI) on the feasibility of the expected cash flow (ECF) approach was posted to the IASB website, with responses requested by 1 September 2009. The IASB received 59 responses by the comment letter deadline and 79 responses as of the time of the staff’s feedback analysis.

Establishing consultative groups or other types of specialist advisory groups

47. The IASB created a Financial Instruments Working Group (FIWG) in 2004 to address issues related to financial instruments projects. The working group is composed of preparers, users of financial statements and auditors who have contributed to the Impairment project during its deliberations. The FIWG met to discuss the three-bucket model in August 2011.

48. The IASB formed an Expert Advisory Panel (EAP) to advise the IASB on the operational implications of applying the proposals in the 2009 ED. The panel’s summary findings and proposed solutions were presented in June 2010.

Meeting
notes and a summary of main matters the IASB learned from EAP were posted on the IASB website.

49. While the EAP has not been formally reconvened since that time, some of the members of the EAP have continued to provide input on the operational implications of the proposals over the course of the project, including in relation to the current proposals. The IASB also, jointly with the FASB, formed a Financial Crisis Advisory Group that met six times from January to July 2009 to deliberate on accounting issues recognised as a result of the global financial crisis. Among the major issues discussed were the delayed recognition of impairment and the incurred loss model.

Public hearings

50. Public hearings are undertaken to raise awareness and exchange views on the proposals. Public hearings undertaken by the IASB in the course of the impairment project are summarised below:

(a) Presentations at events and conferences—IASB members and staff have presented updates on the project at a number of events and conferences, including IFRS conferences, conferences hosted by The Institute of Chartered Accountants of England and Wales (ICAEW), National Standard Setters and large accounting firms.

(b) Discussion forums and outreach—Outreach activities undertaken by the IASB members and staff are discussed in paragraphs 20-23 of this paper.

(c) Communication—The staff have made use of the IFRS Foundation website to regularly update interested parties on the status of the project, including:

(i) Project coverage—Posting agenda papers and webcasts and recordings of the IASB and other public meetings, IASB Updates, the 2013 ED and accompanying material such as a summary snapshot, comment letters and relevant investor resources such as an article written by an IASB board member on the proposed impairment model.

(ii) Webcasts and podcasts—Upon the publication of the 2013 ED, the staff conducted two webcasts to communicate the
proposals to as many interested parties as possible and answered questions during those webcasts. In addition, the staff subsequently recorded a podcast to address frequently asked questions on the proposals. The recordings of the webcasts, including the questions and answers sessions, and the recording of the FAQ podcast are available on the Impairment project page of the IFRS Foundation website.

(iii) Email alerts—Interested parties have received updates on major project news through subscriber email alerts. Over 23,000 interested parties are registered for email alerts on the project to replace IAS 39, including the impairment project.

Undertaking fieldwork

51. The IASB invited a number of preparers to participate in detailed fieldwork to determine how the current proposed ECL model is likely to respond to changing economic circumstances over time. The fieldwork was also designed to provide an understanding of any operational challenges for the implementation of the proposals, including data availability issues, and to provide some directional information about the magnitude of the allowance balance.

52. The fieldwork involved participants applying the proposed expected credit loss impairment model to a selection of their portfolios (a snapshot of actual portfolios at a particular date) and applying a hypothetical scenario of macroeconomic indicators. This hypothetical scenario set out information about economic conditions, industry-specific facts and key assumptions covering a number of hypothetical reporting periods. We asked participants to apply the proposed model to their selected portfolios over a time period of five years, using the information that they believed was relevant to their application of the model. The fieldwork allowed participants to actively engage with the IASB to understand the proposals and provide us with feedback on their experience, and for the IASB to better understand the impact of the proposals. A total of 15 participants were involved in the fieldwork. Most of the participants were banks, but the fieldwork included both financial and non-financial entities and, both ‘global systemic important banks’ and regional/country-based businesses. Participants applied the results to a range of product types including retail mortgages, corporate loans, revolving credit products,
lease receivables, and other unsecured lending. The results and feedback from the fieldwork were presented to the IASB in July 2013 and September 2013.

**Other steps**

53. Throughout the Impairment project, the IASB has performed a significant amount of outreach and consultation with constituents in order to understand concerns and inform the public of the project’s progress. IASB members and staff have:

(a) held a large number of meetings with individuals and groups of auditors, industry representatives, preparers, regulators, national standard-setters, and users of financial statements;

(b) maintained lines of communication with industry groups, regulators, and national standard-setters; and

(c) appeared at public events to exchange views with constituents.

54. The staff have made use of the IASB’s website to regularly update constituents on the status of the project. In addition to the normal posting of the Exposure Drafts, comment letters, meeting agenda papers, IASB Updates, and IASB meeting webcasts, the website has included such material as:

(a) project webcast and podcast recordings;

(b) snapshots, summaries, and FAQ document for the 2013 ED; and

(c) additional explanatory information on the 2009 ED and RFI, including technical examples and comprehensive links to relevant staff papers.

55. Interested parties have received updates for major project news items through subscriber email alerts. Over 23,000 participants are registered for financial instrument project email alerts.

**IASB sets an effective date for the standard**

56. The effective date of IFRS 9 *Financial Instruments* is being discussed at this meeting (refer to Agenda Paper 5A of this meeting).

**Analysis of likely effects of the forthcoming IFRS**

57. The IASB is committed to assessing, and sharing knowledge about, the likely costs of implementing proposed new requirements and the likely ongoing associated costs
and benefits of each new IFRS—the costs and benefits are collectively referred to as ‘effects’. The IASB gains insight on the likely effects of the proposals for new or revised IFRSs through its formal exposure of proposals and through its fieldwork, analysis and consultations with relevant parties through outreach activities.

58. An analysis of the effects of 2013 ED was included in its Basis for Conclusions. The Basis for Conclusions sets out what issues the IASB sought to address, how it addressed them, and the expected effect of the changes. The effects analysis will be updated in the final version of IFRS 9 to reflect the feedback received during the outreach and comment period for the 2013 ED.

**Sufficient compliance with required due process steps**

59. The staff think that the IASB has undertaken sufficient steps for the IASB to be in a position to finalise the new impairment chapter of IFRS 9. The IASB has undertaken all of the activities identified as being ‘required’ and many of the additional optional activities set out in the *Due Process Handbook*. These steps have been completed leading up to the publication of the 2013 ED, but also, importantly, in the finalisation of the impairment chapter of IFRS 9.

**Considerations for the Post-implementation Review**

60. IFRS 9 *Financial Instruments*, incorporating Chapter 5 *Impairment*, if finalised, will be subject to a two-phase Post-implementation Review as required by IFRS Foundation due process. This is generally performed after the new requirements have been applied internationally for two years—normally 30 to 36 months after the effective date. The first phase involves identifying and assessing the matters to be examined. The second phase is an analysis of comments and feedback received through the public consultation and other outreach activities. This is followed by the IASB presenting its findings and plans for further steps, if any, to be taken.

**Re-exposure, permission to ballot and dissents**

61. The re-exposure criteria are set out in paragraphs 6.25 and 6.29 of the *Due Process Handbook* issued February 2013.
6.25 In considering whether there is a need for re-exposure, the IASB:

(a) identifies substantial issues that emerged during the comment period on the Exposure Draft that and that it had not previously considered;

(b) assesses the evidence that it has considered;

(c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and

(d) considers whether the various viewpoints were appropriately aired in the Exposure Draft and adequately discussed and reviewed in the Basis for Conclusions.

62. The staff do not think that the revisions to the proposed Impairment chapter of IFRS 9 include fundamental changes. Rather, the staff think that the revisions to the 2013 ED largely confirm and clarify the proposals in response to the feedback received. Accordingly, the staff do not think that there are any substantive changes on which respondents have not had the opportunity to comment and hence it is unlikely that re-exposure will reveal any new concerns. The staff recommend that the IASB should not re-expose the proposed Impairment chapter for a further round of public comment.

63. Except for sweep issues which may arise during the drafting stages of the balloting process, the IASB has now completed redeliberations of all technical issues for the Impairment proposals. If the IASB agrees that all due process requirements have been met, as listed above in this document, the staff think that the IASB is ready to prepare the final impairment chapter of IFRS 9 for balloting.

64. The staff note that the decisions on most issues discussed by the IASB were tentatively approved by a majority of the IASB.

65. However, any IASB members who intend to dissent to the Impairment chapter of IFRS 9 are required to make that intention known at this time.
<table>
<thead>
<tr>
<th>Questions to the IASB</th>
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<tbody>
<tr>
<td><strong>(1) Due process</strong>: does the IASB agree with the staff conclusion that due process requirements have been met?</td>
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<tr>
<td><strong>(2) Re-exposure</strong>: does the IASB agree with the staff recommendation not to re-expose the Impairment chapter of IFRS 9?</td>
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<tr>
<td><strong>(3) Permission to ballot</strong>: is the IASB satisfied that it has undertaken sufficient consultation and analysis to be able to begin the balloting process for the impairment chapter of IFRS 9?</td>
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<tr>
<td><strong>(4) Dissents</strong>: do any members of the IASB propose to dissent from the publication of the impairment chapter of IFRS 9?</td>
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Appendix A: Finalisation of the Impairment chapter of IFRS 9

This appendix shows how the IASB has complied with the due process steps required to finalise the Impairment chapter of IFRS 9.

<table>
<thead>
<tr>
<th>Step</th>
<th>Required/Option</th>
<th>Metrics or evidence</th>
<th>Evidence provided to DPOC</th>
<th>Actions</th>
</tr>
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<tbody>
<tr>
<td>Consideration of information gathered during consultation</td>
<td></td>
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<tr>
<td>The IASB posts all of the comment letters that are received in relation to the ED on the project pages.</td>
<td>Required if request issued</td>
<td>Letters posted on the project pages.</td>
<td>The IASB has reported on progress as part of its quarterly report at Trustee meetings, including summary statistics of respondents.</td>
<td>Comment letters for the 2009 ED, SD and 2013 ED have been posted on the IASB website’s project page. A comment letter summary on the 2013 ED was presented to the IASB in July 2013.</td>
</tr>
<tr>
<td>Round tables between external participants and members of the IASB.</td>
<td>Optional</td>
<td>Extent of meetings held.</td>
<td>The DPOC has received updates on outreach activities.</td>
<td>No formal round-table meetings were held on the 2013 ED. However, input and responses were solicited through extensive outreach activities. This included discussions with industry groups, user representative forums, regional policy groups and regulators.</td>
</tr>
<tr>
<td>Step</td>
<td>Required/Optional</td>
<td>Metrics or evidence</td>
<td>Evidence provided to DPOC</td>
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| IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions. | Required | Meetings held.  
Project website contains a full description with up-to-date information.  
Meeting papers posted in a timely fashion.  
Extent of meetings with consultative group held and confirmation that critical issues have been reviewed with them. | The DPOC has discussed progress on major projects, in relation to the due process being conducted.  
The DPOC has reviewed the due process over the project life cycle, and how any issues about the due process have been/are being addressed.  
The DPOC has reviewed and responded to comments on due process as appropriate. | IASB meetings  
The IASB has held public meetings on impairment from March 2009 to the current meeting. Since the publication of the 2013 ED, the IASB has discussed 20 agenda papers at 7 IASB meetings.  
Project website  
A project website has been in place over the course of the project. The project website contains a full description of the project objective and history. In addition to posting papers in advance of the IASB meeting and regular IASB meeting webcast of public discussions, the website also includes a monthly summary of tentative decisions of the IASB. The project website is current and features comprehensive project links and information.  
Meeting papers  
Agenda papers for meetings have been posted on the IASB website prior to meeting dates. |
| Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or ongoing associated costs. | Required | Publication of the Effect Analysis. | The IASB and the DPOC have reviewed the results of the Effects Analysis and how it has considered such findings in the proposed Standard.  
The IASB provides a copy of the Effect Analysis to the DPOC at the point of the Standard’s publication. | An analysis of the effects of 2013 ED was included in its Basis for Conclusions. After publication of the 2013 ED, the IASB and staff have met with a number of stakeholders, industry groups and advisory bodies to understand the effect of the proposals, including the cost of implementing the Impairment model, as well as the benefits from improved financial reporting. The staff will include an analysis of the likely effects in the Basis for Conclusions to the Impairment chapter. The IASB will review this effect analysis as part of the balloting process.  
The DPOC was provided with detailed information about the fieldwork undertaken at its meeting in January 2014. |
<table>
<thead>
<tr>
<th>Step</th>
<th>Required/Optional</th>
<th>Metrics or evidence</th>
<th>Evidence provided to DPOC</th>
<th>Actions</th>
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</thead>
<tbody>
<tr>
<td>Email alerts are issued to registered recipients.</td>
<td>Optional</td>
<td>Evidence that alerts have occurred.</td>
<td>The DPOC has been provided with updates on outreach activities.</td>
<td>Interested parties have been notified when updates to the impairment project website have been made using the News section of the project page and subscriber email alerts. As of January 2014 there were over 23,000 participants registered for financial instruments email alerts. Over the course of the project six podcasts/webcasts dedicated to impairment were held. These are available on the IASB website. Other podcasts addressing the entirety of IFRS 9 were also held.</td>
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</table>
| Outreach meetings to promote debate and hear views on proposals that are published for public comment. | Optional       | Extent of meetings held, including efforts aimed at investors. | The DPOC has been provided with updates on outreach activities. | After the publication of the 2013 ED, IASB members and staff have conducted a large number of meetings with interested parties. These have included:  
  - appearing at many public events to exchange views with stakeholders;  
  - holding a large number of meetings with individuals and groups of preparers, users, auditors, regulators and others in order to test proposals and to understand concerns raised by affected parties;  
  - maintaining a regular and active dialogue with regulators, standard-setters and industry representative groups; and  
  - obtaining the views of users of financial statements through both targeted meetings on topics such as identifying significant increases in credit risk and disclosures.  
Participants were consulted across all major geographical regions of the world.  
A number of outreach events were undertaken jointly with the FASB. |
<p>| Regional discussion forums are organised with national standard-setters and the IASB. | Optional       | Extent of meetings held.                                  | The DPOC has been provided with updates on outreach activities. | The 2013 ED has been discussed at two Accounting Standards Advisory Forum (‘ASAF’) meetings. A discussion forum was held with the Asia-Oceania Standard-Setters Group in June 2013. |</p>
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<tr>
<td><strong>Finalisation</strong></td>
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<tr>
<td>Due process steps are reviewed by the IASB.</td>
<td>Required</td>
<td>Summary of all due process steps have been discussed by the IASB before a Standard is issued.</td>
<td>The DPOC will receive a summary report of the due process steps that were followed.</td>
<td>This document presents the project’s compliance with due process, and is to be reviewed during the February 2014 IASB meeting. This paper is being made available to the DPOC before the February 2014 IASB meeting. The DPOC will undertake a life-cycle review of the project at its meeting in April 2014.</td>
</tr>
<tr>
<td>Need for re-exposure of a Standard is considered.</td>
<td>Required</td>
<td>An analysis of the need to re-expose is considered at a public IASB meeting, using the agreed criteria.</td>
<td>The IASB has shared its thinking on the issue of re-exposure with the DPOC.</td>
<td>Paragraph 52 of this paper considers the need for re-exposure. The staff think that the revisions to the 2013 ED respond to the feedback received and that it is unlikely that re-exposure will reveal any new concerns. The staff recommend that the IASB should not re-expose the Impairment chapter.</td>
</tr>
<tr>
<td>The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.</td>
<td>Required</td>
<td>Effective date set, with full consideration of the implementation challenges.</td>
<td>The IASB will discuss its rational for the effective date with the DPOC in April 2014.</td>
<td>Agenda Paper 5A at this IASB meeting considers the effective date of IFRS 9 as a whole.</td>
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<td><strong>Drafting</strong></td>
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<tr>
<td>Drafting quality assurance steps are adequate.</td>
<td>Required</td>
<td>The Translations team has been included in the review process.</td>
<td>The DPOC will receive a summary report of the due process steps that have been followed before a Standard is issued.</td>
<td>The IFRS Foundation translations staff will be consulted as part of the balloting process to take into account the need for language in the proposed document that is translatable into other languages.</td>
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<tr>
<td>Drafting quality assurance steps are adequate.</td>
<td>Required</td>
<td>The XBRL team has been included in the review process.</td>
<td>The DPOC will receive a summary report of the due process steps that have been followed before a Standard is issued.</td>
<td>The IFRS Foundation XBRL staff will be consulted as part of the balloting process to take into account the need for language in the proposed document that is translatable into the IFRS XBRL Taxonomy.</td>
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<td>Drafting quality assurance steps are adequate.</td>
<td>Optional</td>
<td>The Editorial team has been included in the review process. In addition, external reviewers used to review drafts for editorial review and the comments collected have been considered by the IASB.</td>
<td>The DPOC will receive a summary report of the due process steps that have been followed before an ED is issued, including the extent to which external reviewers have been used in the drafting process.</td>
<td>The staff have begun discussions with editorial team about the timing of their review. The staff will continue to liaise with the editorial team and provide drafts for them to review in the finalisation of the Impairment chapter. The staff intend to send a draft of the Impairment chapter to external parties for fatal flaw review before finalisation. This process allows external parties to review and report back to the staff on the clarity and understandability of the draft, mainly with editorial comments. The fatal flaw review process does not grant external parties the opportunity to question the IASB’s technical decisions.</td>
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<tr>
<td>Drafting quality assurance steps are adequate.</td>
<td>Optional</td>
<td>Draft for editorial review has been made available to members of the IFASS and the comments have been collected and considered by the IASB.</td>
<td>The DPOC will receive a summary report of the due process steps that have been followed before a Standard is issued.</td>
<td>The staff will make a draft of the impairment chapter available on an internal site accessible by national standard-setters.</td>
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<tr>
<td>Drafting quality assurance steps are adequate.</td>
<td>Optional</td>
<td>Draft for editorial review has been posted on the project website.</td>
<td>The DPOC will receive a summary report of the due process steps that have been followed before a Standard is issued.</td>
<td>The staff does not intend to publish a draft of the limited amendments to IFRS 9 on the project website. However the staff intend to send a draft of the impairment chapter of IFRS 9 to external parties for fatal flaw review before finalisation. This process allows external parties to review and report back to the staff on the clarity and understandability of the draft, mainly with editorial comments. The fatal flaw review process does not grant external parties the opportunity to question the IASB’s technical decisions.</td>
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<tr>
<td>Publication</td>
<td>Press release to announce final Standard.</td>
<td>Required</td>
<td>Press release has been announced in a timely fashion. Media coverage of the release.</td>
<td>The DPOC will receive a copy of the press release and a summary of the media coverage.</td>
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<td>A Feedback Statement is</td>
<td>Required</td>
<td>Publication of the</td>
<td>The IASB will provide a copy</td>
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<td>provided, which provides high level executive summaries of the Standard and explains how the IASB has responded to the comments received.</td>
<td>Feedback Statement.</td>
<td>of the Feedback Statement to the DPOC at the point of the Standard’s publication.</td>
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<td>Podcast to provide interested parties with high level updates or other useful information about the Standard.</td>
<td>Optional Number of podcasts held.</td>
<td>The DPOC will be updated on outreach activities.</td>
<td>To be completed in due course.</td>
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<td></td>
<td>Standard is published.</td>
<td>Required Official release.</td>
<td>The DPOC will be informed of the release.</td>
<td>To be completed in due course.</td>
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