

AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

LONDON 8 JULY 2014

Agenda ref 3F

PRESENTERS MICHELLE SANSOM/HENRY REES

Reporting Protocol: annual report on general due process matters

Introduction

1. The purpose of this paper is to report to the Due Process Oversight Committee (DPOC) on the following issues for the year to 30 June 2014:
 - (a) the receipt of comment letters and their being made publicly available (paragraphs 2–5);
 - (b) the availability of IASB papers to observers (paragraphs 6–11); and
 - (c) the IASB’s dialogue with securities and other regulators (paragraphs 12–18).

Comment Letters

2. The *IFRS Foundation Due Process Handbook* (the ‘*Due Process Handbook*’) states that:

Comment letters

- 3.64 Comment letters play a pivotal role in the deliberations process of both the IASB and its Interpretations Committee, because they provide considered and public responses to a formal consultation.
 - 3.65 All comment letters received by the IASB are available on the IFRS Foundation website. Portions of a comment letter may be withheld from the public if publication would be harmful to the submitting party, for example, a potential breach of securities disclosure laws.
3. Details of the comment letters considered are set out in the Appendix of this paper.
 4. We received two letters (one in relation to the *Leases* Exposure Draft and one in relation to the Interim Release Package 1: *IFRS Taxonomy 2013* proposed release) in which confidentiality was requested. With the exception of these letters, we are not aware of any letters being withheld from public posting in the year to 30 June 2014.
 5. In addition to the public comment letters received for the IFRS Taxonomy we received comment from members of an expert technical consultative group, the XBRL Quality

Review Team (XQRT). The XQRT comments are not included in the numbers shown within the Appendix.

IASB papers made available to observers

6. The IASB strives to operate in an open and transparent manner. Accordingly, the *Due Process Handbook* includes a section explaining the importance of making papers discussed by the IASB members available to observers.
7. The *Due Process Handbook* states:
 - 3.11 All material discussed by IASB or Interpretations Committee members in their public meetings, including papers that are prepared by technical staff, is usually made available to observers via the IFRS Foundation website. The IASB Chair, Vice-Chair or a Senior Director of Technical Activities have the discretion to withhold papers, or parts of papers, from observers if they determine that making the material publicly available would be harmful to individual parties, for example, if releasing that information could breach securities disclosure laws. The DPOC expects that withholding material in such circumstances would be rare and that most papers of the IASB and the Interpretations Committee will be publicly available in their entirety.
 - 3.12 The technical staff is required to report to the IASB and the DPOC at least annually on the extent to which material discussed by the IASB or the Interpretations Committee has not been made available to observers and the main reasons for doing so. In addition, the technical staff is required to include in that report the number of meeting papers that have been posted later than 5 working days in advance and the main reasons for doing so.

Practice in the year to 30 June 2014

8. We are not aware of any cases in the year to 30 June 2014 in which a document discussed by the IASB or the IFRS Interpretations Committee (the 'Interpretations Committee') in a public meeting was withheld from observers or had any material removed.
9. As reported last year, we are aware of three scenarios in which papers may not have been made available to observers on a timely basis:
 - a. papers are not posted to our website before a meeting: in all such cases this reflects an administrative error instead of a deliberate action. Not posting papers to our website before a meeting is rare. When it does happen, observers make us aware of such oversights. We re-designed our meetings' web pages and our posting procedures to reduce the risk of failing to post a paper. We are not aware of any such cases in the year to 30 June 2014, this is consistent with 2013.
 - b. correspondence arrives, or analysis is prepared, during an IASB or Interpretations Committee meeting: as a result, we are aware of instances when the staff have

distributed a paper to IASB members and to observers physically attending the meeting but the paper has not been available to remote observers until after the meeting has finished. The papers are then made available, but clearly have not been available on a timely basis. Again, this is rare. During the year to 30 June 2014 we are confident that we have virtually eliminated such cases.

- c. the perception that we are withholding papers: individual IASB members speak with interested parties and receive emails and letters about aspects of a project. In most cases, the correspondent wishes the IASB member to treat the exchange as private or informal. Nevertheless, individual IASB members often mention these exchanges, in very general terms, in IASB meetings. This can create the impression that all IASB members have access to material that is being withheld from observers. This is not the case. IASB members and staff are careful to protect the principle that full and open consideration of technical issues must take place during public meetings.
10. The staff have reported to the DPOC throughout the year on the late posting of papers for IASB meetings (defined in the *Due Process Handbook* as later than 5 working days in advance of meetings).

Conclusion

11. In the year to 30 June 2014 all Agenda Papers distributed to IASB members (or Interpretations Committee members) for public meetings of the IASB (or Interpretations Committee) were made available on our public website, unaltered.

Securities and other regulators

12. The *Due Process Handbook* states:

Securities and other regulators

- 3.54 The IASB is responsible for developing global financial reporting standards that are enforceable.
- 3.55 To achieve this it is important that the IASB maintains a dialogue with securities regulators. Such a dialogue is usually undertaken by establishing regular meetings with such regulators. In addition, the Interpretations Committee has the right to invite members of securities regulatory bodies to act as official observers to its meetings.
- 3.56 Financial information prepared in accordance with IFRSs is used by other regulators, including prudential supervisors and taxation authorities. The IASB develops IFRSs to improve the transparency and integrity of financial statements.

- 3.57 The IASB is aware that prudential supervisors rely on financial reports for some of their functions. To assist prudential supervisors, the IASB keeps an enhanced dialogue with such authorities, particularly through the Financial Stability Board and the Bank of International Settlements.

Securities regulators

13. During the course of the year under review we have had regular dialogue with the International Organization of Securities Commissions (IOSCO) and regional security regulators. A report of the IASB's Implementation Steering Committee will be presented at the DPOC meeting.

Prudential regulators

14. We maintain regular dialogue with prudential regulators. Our interaction with prudential regulators is at both a policy level and at a Standard-specific level.
15. At the policy level Hans Hoogervorst is a member of the Financial Stability Board (FSB) so he attends their meetings. In addition, we provide them with periodic updates on the progress of our projects, with particular focus on accounting for financial instruments and insurance contracts.
16. We have also continued to have a regular dialogue between the IASB and the Basel Committee.
17. At a project level we have regular dialogue with the Basel Accounting Task Force (Basel ATF), which is a sub-committee of the Basel Committee, and the International Association of Insurance Supervisors (IAIS). In addition, three times a year we meet in a forum between the IASB, the Basel ATF and the International Institute of Finance (a global banking body). This forum enables us to discuss the interaction between our requirements and those of the prudential regulators and for us both to obtain input and information from the banks. The next three-way meeting is due to be held in London on 26 June 2014.
18. In addition to these international initiatives, we also have interaction with prudential regulators at a national and regional level. For example, we have presented our impairment proposals to the Bank of England and we meet several times a year with the European Banking Authority to discuss our Financial Instrument projects. In respect of insurance we have presented our proposals to staff at the European Insurance and Occupational Pensions Authority (EIOPA), and had discussions with representatives from the UK Prudential Regulatory Authority and the Bank of England.

Appendix

Comment letters

In the year to 30 June 2014 the project teams have considered comment letters in relation to the following projects:

Project	Due Process stage	Comment letters/ responses
Annual Improvements 2012–2014 Cycle	Exposure Draft	64
Bearer Plants	Exposure Draft	72
Conceptual Framework	Discussion Paper	226
Defined Benefits Plans: Employee Contributions	Exposure Draft	63
Equity Method in Separate Financial Statements	Exposure Draft	61
Financial Instruments: Impairment	Exposure Draft	187
IFRS 3 Business Combinations	Post-implementation Review	91
IFRS for SMEs	Exposure Draft	57
Insurance Contracts	Exposure Draft	194
Leases	Exposure Draft	640
Regulatory Deferral Accounts	Exposure Draft	99
IFRS Taxonomy 2013 (Annual Taxonomy)	Proposed Release	4
Interim Release Package 1: IFRS Taxonomy 2013	Proposed Release	4
Interim Release Package 2: IFRS Taxonomy 2013	Proposed Release	3
Proposed Interim Release for the IFRS Taxonomy 2014—IFRS 14 Regulatory Deferral Accounts	Proposed Release	1
IFRS Interpretations Committee		
IAS 1: Issues relating to application.	Agenda Decision	5
IAS 12: Impact of an internal reorganisation on deferred tax amounts related to goodwill.	Agenda Decision	4
IAS 12: Recognition and measurement of deferred tax assets when an entity is loss-making.	Agenda Decision	5

Project	Due Process stage	Comment letters/ responses
IAS 16: Disclosure of carrying amounts under the cost model.	Agenda Decision	1
IAS 17: Meaning of ‘incremental costs’.	Agenda Decision	4
IAS 19: Employee benefits plans with a guaranteed return on contributions or notional contribution.	Agenda Decision	3
IAS 29: Applicability of the concept of financial capital maintenance defined in terms of constant purchasing power units.	Agenda Decision	2
IAS 32: Accounting for a financial instrument that is mandatorily convertible into a variable number of shares subject to a cap and a floor.	Agenda Decision	8
IAS 32: Classification of financial instruments that give the issuer the contractual right to choose the form of settlement.	Agenda Decision	3
IAS 32: A financial instrument that is mandatorily convertible in a variable number of shares (subject to a cap and a floor but give the issuer the option to settle by delivering the maximum (fixed) number of shares.	Agenda Decision	6
IAS 32: Classification of a financial instrument that is mandatorily convertible into a variable number of shares upon a contingent 'non-viability' event.	Agenda Decision	12
IAS 37: Measurement of liabilities arising from emission trading schemes.	Agenda Decision	2
IAS 39: Accounting for term-structured repo transaction.	Agenda Decision	5
IFRS 3: Identification of the acquirer in accordance with IFRS 3 and the parent in accordance with IFRS 10 <i>Consolidated Financial Statements</i> in a stapling arrangement.	Agenda Decision	3
IFRS 10: Effect of protective rights on an assessment of control.	Agenda Decision	3
IFRS 10: Classification of puttable instruments that are non-controlling interests.	Agenda Decision	2

Project	Due Process stage	Comment letters/ responses
IFRS 10: Transitional provisions in respect of impairment, foreign exchange and borrowing costs rate.	Agenda Decision	3
IFRS 10: Investment Entities amendments—the definition of investment-related service or activities.	Agenda Decision	3
IFRS 11: Classification of joint arrangements.	Agenda Decision	3
IFRIC 21: Levies.	Agenda Decision	2
IAS 1: Disclosures about assessment of going concern.	Agenda Decision	6
IAS 12: Recognition of deferred tax for a single asset in a corporate wrapper.	Agenda Decision	5
IAS 34: Condensed statement of cash flows.	Agenda Decision	4
IAS 39: Classification of a hybrid financial instrument by the holder.	Agenda Decision	4