

# AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

New Delhi

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**Agenda ref 1G**

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TITLE	Reporting Protocol – Annual Report on General Due Process Matters

This paper has been prepared for discussion at a public meeting of the IFRS Foundation Trustees by the staff. It does not represent the views of the Trustees or any individual member of the Trustees. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

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## Introduction

1. The purpose of this paper is to report to the Due Process Oversight Committee (DPOC) on the following issues for the 15 months to 31 August 2016:
  - (a) the receipt of comment letters and their public availability (paragraphs 5–12);
  - (b) the availability of International Accounting Standards Board (the Board) papers to observers (paragraphs 13-17); and
  - (c) the Board’s dialogue with securities and other regulators (paragraphs 18-31).

## Executive Summary

2. In the period to 31 August 2016, the Board received 1,097 comment letters, the IFRS Foundation received 115 comment letters and the IFRS Interpretations Committee (the Interpretations Committee) received 184 comment letters.
3. During the period, the staff reviewed the processing of comment letters. The review identified four historical comment letters that had not been processed and uploaded to the IFRS Foundation website. The staff is satisfied that improvements to the processing of comment letters will address the problem

identified and ensure that comment letters received are added to the Comment Letter Database and made available on the website.

4. The Board and its technical staff have continued to maintain effective relationships with securities and other regulators.

### **Comment Letters during the reporting period**

5. 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.
6. Details of all the comment letters considered in the 15 months to 31 August 2016 are set out in Appendix 1 of this paper.
  7. During the period confidentiality was requested by one submitter. The submitter's letter was in response to the *IFRS Taxonomy Due Process* Invitation to Comment, accordingly this letter was withheld from public posting.

### **Comment letter processing improvements**

8. During the period covered by this report, we undertook an internal review of the processing of comment letters and their uploading to the IFRS Foundation website. The review covered the period from May 2010, when the Foundation's Comment Letter Database was created, to June 2016. The review led to a number of improvements to our processes for ensuring all comment letters received are made publicly available.
9. As part of the review, we carried out a completeness audit to ensure all comment letters received had been added to the Comment Letter Database and made available on the website. The audit identified that four of the 9,800 comment letters received during the review period had not been processed and made available on the website.

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10. The four comment letters related to the following exposure documents:
- (a) ED/2013/7 – *Insurance Contracts*  
One letter – 16 August 2013
  - (b) ED/2013/6 – *Leases*  
Two letters – 13 September 2013 and 18 September 2013
  - (c) Request for Information 2012 – *Comprehensive Review of the IFRS for SMEs*  
One letter – 30 November 2012
11. The technical staff have reviewed the contents of the four letters and concluded:
- (a) One of the letters contained the results of an online survey regarding the IFRS for SMEs, with no additional commentary or analysis. The staff therefore concluded the survey was provided for information purposes only.
  - (b) The Board did not specifically consider one narrowly-focussed comment regarding the proposed transition requirements in the ED/2013/6 *Leases*. However, the Board reconsidered the proposed transition requirements holistically, and made extensive changes to the transition requirements proposed in the 2013 ED when developing IFRS 16 *Leases*.
  - (c) The staff have confirmed that all comments raised in the remaining three comment letters were considered by the Board during redeliberations.
12. We are satisfied that the improvements to the processing of comment letters will address the problems identified and ensure that comment letters received are added to the Comment Letter Database and made available on the IFRS Foundation website.

## IASB papers made available to observers

13. The Board 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 Board members available to observers.
14. 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.

## Availability of IASB papers during the reporting period

15. We are not aware of any cases in the 15 months to 31 August 2016 in which a document discussed by the Board or the Interpretations Committee in a public meeting was withheld from observers or had any material removed.
16. The staff have reported to the DPOC throughout the year on the late posting of papers for Board meetings (defined in the *Due Process Handbook* as later than 5 working days in advance of meetings). Full details of these instances are listed in Appendix to the *Technical Activities: Key Issues and Update* report at each DPOC meeting.
17. In the 15 months to 31 August 2016, all Agenda Papers distributed to Board (or the Interpretations Committee) for public meetings of the Board (or Interpretations Committee) were made available on our public website, unaltered.

## Securities and other regulators

18. 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*

19. During the 15 months to 31 August 2016, we have maintained a dialogue with securities regulators. In particular, some Board and staff members met:
- (a) the International Organization of Securities Commissions (IOSCO) over a number of days in November 2015 (Hong Kong) and June 2016 (London).
  - (b) the European Securities and Markets Authority (ESMA) in October 2015 and April 2016, subsequently attending the European Enforcers Coordination Sessions in December 2015 and June 2016.
20. The meetings with IOSCO and ESMA were undertaken in accordance with the respective Statement of Protocols that we have with these organisations. They included updates on particular technical projects, discussions around recently-issued Standards and discussion of implementation issues identified by securities regulators. We also discussed how we might cooperate with regulators to improve the global consistency of electronic reporting.
21. IOSCO and ESMA representatives are members of the IFRS Advisory Council. In addition, IOSCO representatives observe meetings of the Interpretations

Committees and the Transition Resource Groups for Revenue Recognition and Impairment of Financial Assets.

***Prudential regulators***

22. We maintain regular dialogue with prudential regulators. Our interaction with prudential regulators is at both a policy level and at a Standard-specific level.
23. At the policy level Hans Hoogervorst is a member of the Financial Stability Board (FSB) and attends these meetings. In addition, we provide the FSB with periodic updates on the progress of our projects, with particular focus on accounting for financial instruments and insurance contracts.
24. In 2015 the Enhanced Disclosure Task Force, established by the FSB following the issue of IFRS 9 *Financial Instruments*, published updated disclosure recommendations in relation to the application of an expected credit loss model. We were provided with an opportunity to review the recommendations prior to publication.
25. We have also continued to have a regular dialogue with the Basel Committee.
26. At a project level we have regular dialogue with the Basel Accounting Expert Group (Basel AEG), which is a sub-committee of the Basel Committee. The Basel AEG published guidance in December 2015 on the implementation of an expected credit loss model, with specific reference to its expectations for the application of the model in IFRS 9 by internationally active banks.
27. Representatives of the Basel AEG are observers of the Impairment Transition Resource Group and a representative of the Basel AEG is an observer on the Interpretations Committee.
28. Twice a year there is a forum meeting between the Board, the Basel AEG and the International Institute of Finance (a global banking body). This forum enables discussion on the interaction between IFRS Standards and the requirements of the prudential regulators. The next forum is due to be held in December 2016.
29. In September 2016 Kumar Dasgupta (Technical Director) provided an update on the discussions of the Impairment Transition Resource Group to members of the Basel Financial Stability Institute.

30. In addition to these international initiatives, we also have interaction with prudential regulators at a national and regional level. For example, we have met with the European Central Bank in preparation for the application of the new expected credit loss requirements by banks in Europe.
31. For insurance contracts, we maintain a regular dialogue with the staff at the European Insurance and Occupational Pensions Authority (EIOPA), the Office of the Superintendent of Financial Institutions in Canada, and the Accounting and Auditing Working Group of the International Association of Insurance Supervisors (IAIS). In addition, we have held discussions with regulators from South-East Asia, Korea, East Africa, Scandinavia and Eastern Europe.

In the 15 months to 31 August 2016, the project teams have considered comment letters in relation to the following projects:

Project	Due Process Stage	No of Comment letters received
<b>International Accounting Standards Board</b>		
<i>Annual Improvements to IFRSs 2014-2016 Cycle</i>	Exposure Draft	50
<i>Application of Materiality to Financial Statements</i>	Draft Practice Statement	95
<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> (Proposed amendments to IFRS 4)	Exposure Draft	96
<i>Clarifications to IFRS 15</i> (Proposed amendments to IFRS 15 <i>Revenue from Contracts with Customers</i> )	Exposure Draft	75
<i>Classification of Liabilities</i> (Proposed amendments to IAS 1 <i>Presentation of Financial Statements</i> )	Exposure Draft	89
<i>Conceptual Framework for Financial Reporting</i>	Exposure Draft	233
<i>Updating References to the Conceptual Framework for Financial Reporting</i> (Proposed amendments to IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32)	Exposure Draft	40
<i>Effective Date of Amendments to IFRS 10 and IAS 28</i> (Proposed amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> )	Exposure Draft	53
<i>Effective Date of IFRS 15</i> (Proposed amendments to IFRS 15)	Exposure Draft	103



<b>Project</b>	<b>Due Process Stage</b>	<b>No of Comment letters received</b>
Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)	Exposure Draft	78
Transfers of Investment Property (Proposed amendment to IAS 40 <i>Investment Property</i> )	Exposure Draft	57
IFRS Taxonomy 2015—2015 Amendments to the IFRS for SMEs	Proposed IFRS Taxonomy Update	0 (Plus 2 comment letters from ITCG) <sup>1</sup>
IFRS Taxonomy 2015 - Common Practice (information technology, media, chemicals and utilities)	Proposed IFRS Taxonomy Update	1
IFRS Taxonomy 2015 - IFRS 16 <i>Leases</i>	Proposed IFRS Taxonomy Update	0 (Plus 5 comment letters from ITCG)
Agenda Consultation 2015	Request for Views	120
<b>Project</b>	<b>Due Process Stage</b>	<b>No of Comment letters received</b>
<b>IFRS Foundation</b>		
Trustees' Review of Structure and Effectiveness: Issues for the Review	Request for Views	97
IFRS Taxonomy Due Process	Invitation to Comment	17 (plus 1 confidential submission)

<sup>1</sup> IFRS Taxonomy Consultative Group

<b>Project</b>	<b>Due Process Stage</b>	<b>No of Comment letters received</b>
<b>IFRS Interpretations Committee</b>		
<i>Foreign Currency Transactions and Advance Consideration</i>	Draft IFRIC Interpretation	45
<i>Uncertainty over Income Tax Treatments</i>	Draft IFRIC Interpretation	61

In addition to the comment letters received on the draft IFRIC Interpretations, the Interpretations Committee also received comment letters on its tentative agenda decisions. In the 15 months to 31 August 2016, the Interpretations Committee received 78 comment letters on 19 tentative agenda decisions. Comment letters were received on each of the tentative agenda decisions, with the lowest number being 2 and the highest being 12.