

IASB Update

From the International Accounting Standards Board



10 June 2010

Welcome to IASB Update

This IASB Update is a staff summary of the tentative decisions reached by the Board at a public meeting. As a project progresses, the Board can, and sometimes does, modify its earlier tentative decisions. Tentative decisions do not change existing requirements until those decisions are incorporated in a new or amended standard.

The International Accounting Standards Board met in London on 10 June 2010 for an additional Board meeting. The US Financial Accounting Standards Board (FASB) participated via video conference. The boards discussed:

- Insurance contracts
- Joint arrangements

Insurance contracts

The boards discussed participating investment contracts and risk adjustment techniques.

Participating investment contracts

The boards discussed whether investment contracts with a discretionary participation feature should be within the scope of a future standard on Insurance contracts or else within the scope of a standard on Financial Instruments.

The IASB tentatively decided to include investment contracts that both contain a discretionary participating feature and also participate in the same pool of assets as participating insurance contracts within the scope of the future standard on Insurance Contracts. The boards asked the staff to consider further the criteria for determining when a pool of assets supports both participating insurance contracts and participating investments contracts, for example by reference to the proportion of assets relating to insurance contracts in those pools.

Furthermore, the IASB tentatively decided that the boundary of these contracts should be defined as the point at which the contract holder no longer has a contractual right to receive benefits arising from a discretionary participating feature.

The FASB tentatively decided to include these investment contracts in the scope of standards on financial instruments.

Risk adjustment techniques

The boards discussed further which techniques should be available to measure the risk adjustment for insurance contracts (in a measurement approach that includes such an adjustment).

The boards directed the staff to develop draft guidance that describes how techniques for measuring

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Future Board meetings

The IASB meets at least once a month for up to five days.

The next Board meetings in 2010 are:

**14 - 17 June
19 - 23 July
13 - 17 September**

To see all Board meetings for 2010, [click here](#).

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risk adjustments, for example approaches using confidence intervals, conditional tail expectations or cost of capital, would satisfy the proposed objective and characteristics of the risk adjustment.

Next steps

The boards will continue their discussion of this project at their joint meeting on 14 - 17 June.

Joint arrangements

Sweep issues for Joint Arrangements - Clarification of the partial use of fair value at the group level for an investment in an associate

At its meeting in February, the Board decided that one of the annual improvements that it was finalising would be better dealt with, not as an annual improvement, but instead by amending IAS 28 *Investments in Associates* as part of the Joint Arrangements project. That amendment confirmed that an entity could continue to use fair value to measure part of an investment in an associate held by a subsidiary, if that subsidiary used the scope exception in IAS 28 to measure its investment at fair value through profit or loss. The exception would, in making the change, be recharacterised as a measurement exemption.

At this meeting the Board tentatively decided that the measurement exception could be applied even if the investment held by the qualifying subsidiary (which would be a venture capital organisation or mutual fund, unit trust or similar entity including an investment-linked insurance fund) was not an associate of that subsidiary.

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