National Standard-setters Times

What has the Board done in the last year?

What has the Committee done in the last year?

What will happen in 2020?

Any other news to share?

Any helpful material to mention?
What has the Board done in the last year?

<table>
<thead>
<tr>
<th>Active projects</th>
<th>Completed projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted Standards-level Review</td>
<td>Amendments to IAS 1 and IAS 8 — Definition of Material</td>
</tr>
<tr>
<td>of Disclosures</td>
<td>Better Communication Case Studies</td>
</tr>
<tr>
<td>Accounting Policy Disclosures</td>
<td>Amendments to IAS 7 to improve disclosure of changes in financing liabilities</td>
</tr>
<tr>
<td></td>
<td>Amendments to IAS 1 to remove barriers to application of judgment</td>
</tr>
<tr>
<td></td>
<td>Principles of Disclosure research project</td>
</tr>
</tbody>
</table>
Disclosure Initiative—Accounting Policy Disclosures

Users say that accounting policy disclosures today are often not useful. Stakeholders' views differ about 'significant' accounting policies required by IAS 1.

**Board's proposals**

- Clarify that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the financial statements.
- Amend IAS 1 *Presentation of Financial Statements* to require entities to disclose their **material accounting policies** rather than their significant accounting policies.
- Add guidance and examples to the Materiality Practice Statement. These will explain how to apply the four-step materiality process to accounting policies.

Comment letter deadline: 29 November 2019

Disclosure Initiative—Materiality Practice Statement Fact sheet

**IFRS Practice Statement 2 Making Materiality Judgements**

- **Gathers in one place all the requirements on materiality from IFRS Standards and adds practical guidance and examples**
- **Objective**
  - Provides reporting entities with guidance on making materiality judgements when preparing financial statements in accordance with IFRS Standards
- **Form of the guidance**
  - The Practice Statement does not change any existing requirements nor introduce any new requirements; it is a non-mandatory document developed by the Board
IBOR reform and financial reporting

The potential discontinuation of interest rate benchmarks (IBOR reform) could affect the usefulness of information provided in IFRS financial statements.

**Phase I: pre-replacement**
- Exposure Draft: 3 May-17 June
- Proposed amendments to provide relief from IAS 39 and IFRS 9 (hedge accounting)
- Final amendment expected September 2019

**Phase II: replacement**
- The Board will consider whether further amendments are required to address the accounting effects of actual changes in benchmark interest rates

---

**IBOR Reform—Phase I highlights from the proposals**

**Phase I**
Address concerns related to the uncertainties arising from IBOR reform by providing relief when applying the following qualifying criteria for hedge accounting required by IFRS 9 and IAS 39:
- highly probable
- prospective assessment
- separately identifiable risk components

That relief does not affect the actual economics of the transactions which should continue to be reflected in financial reporting.
IBOR Reform—Phase I redeliberations

- Remove IAS 39 requirement for retrospective assessment for affected hedges during the period of uncertainty
- Clarify that foreign currency hedges also in scope
- Extend relief for separately identifiable risk components so that only need to test once for a hedged item designated in a ‘macro hedge’
- Clarify application for groups of hedged items
- Simplify the disclosure requirements

**Next steps** Publish amendments September 2019

Phase II—replacement issues

**Classification & measurement**
- Determining what a modification is
- When does a modification result in derecognition
- In the case of a modification, how to account for change in benchmark rate
- Recognition of new financial instruments

**Hedge accounting**
- Changes in hedge documentation
- Flexible hedge designations
- Implications for macro hedges
- What happens when Phase 1 relief ends
- Valuation adjustments

**Other topics**
- Potential IBOR impacts on other IFRS Standards?
- Any new issues identified

**Disclosure**
- Additional (or amendments to) disclosure requirements

October 2019 onwards
IASB support for IFRS 17 implementation

A comprehensive programme of stakeholder engagement and implementation support

- Webinars
- Articles and other materials
- Conferences
- Transition Resource Group (TRG)

**Education for**
- investors
- regulators
- standard-setters
- preparers
  - Over 100 meetings with investors

**Informal technical discussion with**
- regulators
- standard-setters
- preparers
- auditors
  - Over 300 meetings with stakeholders

IFRS 17 Insurance Contracts: easing implementation

The Board proposes targeted amendments to IFRS 17 to respond to concerns and challenges raised by stakeholders as IFRS 17 is being implemented.

- Deferral of effective date by one year
- Additional scope exclusions
- Allocation of acquisition costs to expected contract renewals
- Attribution of profit to service relating to investment activities

- Extension of risk mitigation option
- Reduced accounting mismatches for reinsurance
- Simplified balance sheet presentation
- Additional transition reliefs

Comment letter period closed 25 September 2019
What has the Committee done in the last year?

Committee’s work: Overview of 2019 activities*

- 25 topics discussed
- 23 topics addressed by Committee through agenda decisions with explanatory material
- 2 topics in progress

* Three Committee meetings held in 2019 (to date) (January, March and June)
IASB – Narrow-scope standard setting arising from the Committee’s work

**Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)**
- ED published in December 2018
- Board considered comments in May 2019

**Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)**
- ED out for comment until November 2019

**Taxation in fair value measurements (Annual Improvements to IFRS Standards 2018–2020)**
- ED closed for comment August 2019

Deferred tax related to assets and liabilities arising from a single transaction (IAS 12)

Board proposes to amendment IAS 12 *Income Taxes*

**Board considered the purpose of the recognition exemption**

**Leases may give rise to equal and offsetting temporary differences**

**Exemption is not needed**

**Narrowing the scope of the recognition exemption**
- An entity recognises deferred tax *to the extent* that the transaction gives rise to equal amounts of deferred tax assets and liabilities

**Reasons for the amendment**
- Faithful representation
- Reduce diversity
- Narrow in scope

**Share your views**
- Exposure draft issued in July
- Open for comment for 120 days

**Comment letter deadline: 14 November 2019**
### Sample of recently finalised agenda decisions

<table>
<thead>
<tr>
<th>IFRS 9 Financial Instruments</th>
<th>IFRS 16 Leases</th>
<th>IFRS 15 Revenue from Contracts with Customers</th>
<th>Other Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curing of Credit-impaired Financial Asset</td>
<td>Lease liabilities in a Joint Operation</td>
<td>Assessment of Promised Goods or Services</td>
<td>Cloud Computing Arrangements</td>
</tr>
<tr>
<td>Fair value hedge of FX risk on non-financial assets</td>
<td>Definition of Lease: Subsurface Rights</td>
<td>Over Time Transfer of Constructed Good</td>
<td>Holdings of Cryptocurrencies</td>
</tr>
<tr>
<td>Credit enhancements in measuring ECL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highly probable requirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracts to Buy or Sell a Non-financial item</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Sufficient time for implementing agenda decisions

**New information from agenda decisions**

- Explanatory material in agenda decisions provides new information
- Entities may determine a need to change their accounting policy
- Some changes require time to implement

**Board’s view**

The Board expects companies to be entitled to sufficient time to implement changes in accounting policy that result from an agenda decision.

**How the Board is trying to help?**

New rubric in IFRIC update

Feature: Agenda decisions—time is of the essence

More information on our website: [ifrs.org](http://ifrs.org)
What will happen in 2020?

2020 major consultations

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Financial Statements</td>
<td>Management Commentary</td>
</tr>
<tr>
<td>Goodwill and Impairment</td>
<td>Agenda Consultation</td>
</tr>
<tr>
<td>Comprehensive Review of the IFRS for SMEs Standard</td>
<td>Post-implementation reviews IFRS 10 11 12</td>
</tr>
<tr>
<td>Dynamic Risk Management</td>
<td>Rate-regulated Activities</td>
</tr>
<tr>
<td></td>
<td>Business Combinations under Common Control</td>
</tr>
</tbody>
</table>
**Overview of the 2019 Review**

**Phase I – Request for Information**

Develop a Request for Information (RFI) setting out the Board’s approach on whether and how to align the *IFRS for SMEs* Standard with new and amended IFRS Standards and IFRIC Interpretations.

**Phase II – Feedback analysis**

Decide if the Board should develop an Exposure Draft of amendments to the *IFRS for SMEs* Standard, and if so, what should be included.
**IFRS for SMEs Standard and IFRS Standards**

- **IFRS for SMEs Standard** was developed based on principles of IFRS Standards
- Board discussed approach to 2019 Review:

  - **Simplified IFRS Standard**
  - **Independent Standard**

**Alignment principles**

- The purpose of the alignment principles is to help the Board determine whether and how to align the *IFRS for SMEs* Standard with new and amended IFRS Standards

  - **Relevance**
    - Is it a problem relevant to entities applying the *IFRS for SMEs* Standard?
  
  - **Simplicity**
    - Simplify:
      - recognition and measurement principles
      - accounting policy choices
      - disclosures
      - drafting

  - **Faithful Representation**
    - Is information still a faithful representation of the phenomena it purports to represent?
## Feedback on Discussion Paper

<table>
<thead>
<tr>
<th>Classification</th>
<th>Presentation</th>
<th>Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing feature</td>
<td>Separate presentation of financial liabilities</td>
<td>Priority on liquidation</td>
</tr>
<tr>
<td>Amount feature</td>
<td>Attribution within equity</td>
<td>Maximum dilution of ordinary shares</td>
</tr>
<tr>
<td>Contractual terms</td>
<td></td>
<td>Terms and conditions</td>
</tr>
</tbody>
</table>

**Key**
- **Green:** broadly agree with no or limited qualifications
- **Amber:** partially agree with some issues that need addressing or mixed views
- **Red:** broadly disagree and/or concerns raised

**128 comment letters**

**Next steps** The Board will discuss the project’s direction at a future meeting.

## FICE project direction alternatives

- **TBD**
  - Clarify classification principles in the DP (use timing and amount features)
  - Clarify implicit classification principles in IAS 32 (rather than rewriting IAS 32)
  - ‘Fill in gaps’ in IAS 32 without clarifying underlying principles

- **Provide classification guidance and illustrative examples**

- **Improve presentation and/or disclosure**

- **Alternative A** Fundamental review
- **Alternative B** Modify or refine the DP
- **Alternative C** Clarifying amendments to IAS 32
- **Alternative D** Narrow-scope amendments to IAS 32
- **Alternative E** Disclosure-only project
## Business Combinations under Common Control

### Problem
Absence of IFRS requirements reduces comparability and understandability of financial information.

### Approach

**Primary users of information**

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving entity</td>
<td>Transferor</td>
<td>Transferee</td>
</tr>
<tr>
<td>Entity A acquires Entity C</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Controlling party**

- P

**The project addresses reporting by the receiving entity in a business combination under common control**

In determining when and how a current value approach or a predecessor approach should be applied, consider:
- whether and how transactions in the scope of the project can be different from business combinations addressed in IFRS 3 *Business Combinations*;
- information needs of primary users; and
- costs of providing and using information.

### Board’s Tentative Decisions

<table>
<thead>
<tr>
<th>No need to pursue a single approach for all transactions in the scope of the project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions that affect non-controlling shareholders of the receiving entity</td>
</tr>
<tr>
<td>Transactions that do <em>not</em> affect non-controlling shareholders</td>
</tr>
</tbody>
</table>

- Start with the acquisition method and consider whether and how to modify it
- Consider requiring a different approach, such as a form of predecessor approach

### Next steps
Discussion Paper is planned for the first half of 2020
Management Commentary project

2010: IFRS Practice Statement 1 *Management Commentary* published

2017: Revision of Practice Statement added to the Board’s agenda

H2 2018: Management Commentary Consultative Group established

Stakeholder consultations and Board discussions begin

2019: Stakeholder consultations and Board discussions continue

H2 2020: Expected issuance of Exposure Draft

What is management commentary?

- A narrative report that gives context for the financial statements and additional insight into the company’s long-term prospects
- Sits within the boundaries of financial reporting and is aimed at primary users of financial reports—existing and potential investors, lenders and other creditors

Environmental, social and governance (ESG) matters—normally part of wider corporate reporting—are discussed in management commentary if necessary for primary users to make economic decisions

Financial reporting aimed at primary users

Wider corporate reporting aimed at a wider range of stakeholders

Management commentary

Financial statements
Management commentary project focus

Why revise?  Focus of revision

Developments in narrative reporting
Meet primary users’ information needs
Retain a principles-based approach but expand the guidance to:
• consolidate innovations
• address gaps in reporting
• support rigorous application

Gaps in current reporting practice
Particular emphasis on:
• company-specific matters
• intangibles and ESG matters
• matters that underpin long-term success
• coherent discussion linked to strategy

Increasing need for additional information
Intended to be compatible with jurisdictional requirements and subject-matter frameworks (e.g., TCFD, SASB)

Research projects—Early stage

Provisions
Assess whether to make targeted improvements to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Subsidiaries that are SMEs
Research whether subsidiaries that are SMEs could apply recognition & measurement requirements of IFRS Standards with disclosure requirements of the IFRS for SMEs Standard

Extractive Activities
Gather evidence to decide whether to start a project to replace IFRS 6 Exploration for and Evaluation of Mineral Resources

Pension Benefits that Depend on Asset Returns
Address inconsistency arising when amount of pension benefits depends on the return of a specified pool of assets, but pension liability is measured using a discount rate determined by reference to high quality corporate bond rates
### Research pipeline–Projects to start in the future

<table>
<thead>
<tr>
<th>Project</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Method</td>
<td>A number of queries over time. Topic to be investigated after starting PIR of IFRS 11 Joint Arrangements</td>
</tr>
<tr>
<td>Pollutant Pricing Mechanisms</td>
<td>Assess whether the Board should develop a proposal to address any diversity that may exist in accounting for pollutant pricing mechanisms.</td>
</tr>
<tr>
<td>High Inflation: Scope of IAS 29</td>
<td>Assess whether it is feasible to extend the scope of IAS 29 to cover economies subject to high, rather than hyper, inflation. No other work is planned on IAS 29.</td>
</tr>
<tr>
<td>Variable and Contingent Consideration</td>
<td>Cross-cutting issue raised in agenda consultation and in earlier deliberations of other topics. This work may also lead to follow on work on risk-sharing and collaborative arrangements.</td>
</tr>
</tbody>
</table>
### Context for the 2020 Agenda Consultation

#### How we are doing against 2015 Agenda Consultation goals

<table>
<thead>
<tr>
<th>Complete major Standards</th>
<th>Better communication in financial reporting</th>
<th>More support for existing Standards</th>
<th>Focus research programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptual Framework</td>
<td>Primary Financial Statements</td>
<td>Allocate additional resource</td>
<td>Programme refocused</td>
</tr>
<tr>
<td>Completed 2018</td>
<td>( ED \text{ expected 2019} )</td>
<td>Completed, more issues addressed and significantly faster</td>
<td></td>
</tr>
<tr>
<td>Insurance Contracts</td>
<td>Disclosure Initiative</td>
<td>Post-implementation reviews</td>
<td>– Research projects</td>
</tr>
<tr>
<td>Completed 2017</td>
<td>Management Commentary</td>
<td>( \cdot ) IFRS 3 IFRS 8 IFRS 13</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( \cdot ) ED expected 2020</td>
<td>Completed 2018</td>
<td>– In progress</td>
</tr>
<tr>
<td></td>
<td>Taxonomy – ongoing</td>
<td>( \cdot ) IFRS 10 IFRS 11 IFRS 12</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>( \cdot ) IFRS 5 – not started</td>
<td></td>
</tr>
</tbody>
</table>

#### Context for the 2020 Agenda Consultation

**Take-aways from 2015 Agenda Consultation**

- The significant achievements against the 2015 Agenda Consultation goals demonstrate the benefits of a more focussed agenda and disciplined research process in order to make more timely progress.
- However, the Board may not meet all of its goals, in part, because it added new projects (IFRS17 amendments; IBOR reform; and update to management commentary, including aspects of environmental, social and governance developments) subsequent to the 2015 Agenda Consultation.
- As such, for the 2020 Agenda Consultation, capacity to add new research and standard-setting projects could potentially be limited:
  - A number of projects are still in process
  - Capacity should be retained for issues arising after conclusion of the 2020 Agenda Consultation
  - Expansion of other activities may limit capacity for research and standard-setting
  - Expansion of research and standard-setting projects could affect timeliness of those projects and of other activities (eg, processing of Interpretations Committee submissions)
Why were IFRS 10, 11 and 12 developed?

- A single consolidation (control) model
- Exemption for consolidation—investment entities

IFRS 10

- Classification of joint arrangements based on rights and obligations
- Elimination of accounting options

IFRS 11

- Combined and enhanced disclosure requirements

IFRS 12

Any other news to share?
The IFRS Taxonomy

The IFRS Taxonomy reflects the presentation and disclosure requirements of IFRS Standards and related common reporting practice in a timely and accurate manner.

- consists of 'elements' used by preparers to tag the information in IFRS financial statements
- makes IFRS disclosures more accessible to users of tagged electronic data
- facilitates communication between preparers and users

Any helpful material to mention?
Resources available on our website

Website
www.ifrs.org

Video

Leaflet
Supporting IFRS Standards

Supporting materials sorted by Standard

IFRS Standards
IFRIC Interpretations
News and events

For example, for IFRS 9 Financial Instruments

Webinars
Articles

Transition Resource Group

Agenda decisions

Find out more: www.ifrs.org

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IFRS Foundation
IFRS Foundation

Join our team: go.ifrs.org/careers
Question 1

The Board issued the Materiality Practice Statement in 2017 as part of its Disclosure Initiative. Is the MPS used in your jurisdiction?

A. Yes – it’s mandatory
B. It is not mandatory, but some entities use the Practice Statement
C. We use the Practice Statement to help develop similar requirements
D. We do not use the Practice Statement
**Question 2**

Have you started to plan for outreach in your jurisdiction to respond to any of the major consultations due to take place in 2020?

A. Yes
B. No

**Question 3**

Does your jurisdiction use the Management Commentary Practice Statement?

A. Yes – it’s mandatory
B. It is not mandatory, but some entities use the Practice Statement
C. We use the Practice Statement to help develop local requirements
D. We do not use directly but some preparers use it as an example of good practice
E. We do not use the Practice Statement
**Question 4**

Does your jurisdiction/region require the electronic tagging of data for some or all entities?

A. Yes – we require electronic tagging of data using the IFRS Taxonomy  
B. Yes – we require electronic tagging of data but not the IFRS Taxonomy  
C. We do not require electronic tagging of data

**Question 5**

From time to time the Board makes educational materials available, including Board members articles and webinars explaining specific aspects of IFRS Standards. Do you use these materials?

A. Yes, regularly  
B. Yes, infrequently  
C. No, but will do so after the WSS conference
Dynamic Risk Management:
Business Activity of Financial Institutions

The difference between interest revenue and interest expense represents net interest income (NII).

Interest Revenue \[ \rightarrow \] Deposit Interest + Liability Interest \[ = \] NII

Dynamic Risk Management is the process that involves understanding and managing how and when a change in interest rates can impact NII. As NII is the net of interest revenue and interest expense, a change in interest rates that has an equal impact on both would not impact NII.

Consequently, one of the best ways to prevent NII from changing due to a change in interest rates is to “match” assets and liabilities, a common approach used by financial institutions.
Dynamic Risk Management: Outline of the model

When derivatives (A) are successful in aligning the asset profile (B) with the target profile (C), changes in fair value of such derivatives are deferred in OCI and reclassified to the statement of profit or loss.

Assuming perfect alignment, the results reported in the statement of profit or loss should reflect the entity’s target profile.

---

Dynamic Risk Management: Overview

Designated financial assets* allocated into re-pricing time buckets

Objective from transformation, informed by:
- Designated financial liabilities*
- Overall risk management strategy: Specific approach for Core Demand Deposits

The derivative(s) that perfectly transform(s) the asset profile to the target profile

* Subject to qualifying criteria
**Dynamic Risk Management: Overview (cont)**

**Benchmark Derivative**
- The derivative(s) that perfectly transform(s) the asset profile to the target profile

**Designated Derivatives**
- External derivative(s) designated in the model

*Subject to the application of the lower of test

**Financial Performance**
- Aligned portion of designated derivative(s) presented in OCI and then re-classified to the P&L over the life of the target profile.
- Mis-alignment presented in P&L*

---

**Dynamic Risk Management: Example**

**Asset Profile**
- CU 1000 5YR Fixed Rate Financial Assets

**Target Profile**
- CU 1000 3YR Fixed Rate – because:
  - Entity has 3YR fixed rate funding
  - Risk Management Strategy is to match assets and liabilities

Subject to qualifying criteria and the existence of an economic relationship

**Difference**
- Benchmark derivatives
- CU1000 5YR Pay Fix, Receive Floating Interest Rate Swap
- CU1000 3YR Rec Fix, pay floating interest rate swap