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3 June 2025

Dear Mr Maijoor

## **Rate-regulated Activities: Due Process Lifecycle Review**

1. I am writing to you in relation to the IASB Staff paper on the Due Process Lifecycle Review of the Rate-regulated Activities project (Agenda Reference DP3), which is due to be considered at the June 2025 meeting of the Due Process Oversight Committee. The paper references the fact that a new concept<sup>1</sup> (the direct (no direct) relationship concept) was developed after the consultation on the Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities* (ED). The UKEB is concerned that the Board's decision not to re-expose the proposed amendments resulting from the introduction of this new concept<sup>2</sup>, does not fully meet the requirements of the IFRS Foundation's Due Process Handbook (the Handbook).
2. The IASB's direct (no direct) relationship concept was developed after the consultation period for the ED. The new concept fundamentally changes the requirements included in the ED and directly impacts the recognition and measurement for rate-regulated entities subject to incentive-based regulation. The current Handbook specifies, at paragraph 6.28, that "the Board should give more weight to changes in recognition and measurement than disclosure when considering whether re-exposure is necessary".
3. The UKEB raised its concerns in relation to the direct (no direct) relationship concept at numerous ASAF meetings throughout 2023 and 2024 and, subsequently, highlighted these concerns in a letter to the IASB<sup>3</sup>, dated 23 July 2024.

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<sup>1</sup> Staff Paper DP3 – June 2025, paragraph 11

<sup>2</sup> Staff Paper DP3 – June 2025, paragraph 21

<sup>3</sup> [UKEB letter to the IASB – 23 July 2024](#)

4. To the best of our knowledge, the Board members of the IASB have not discussed the concerns raised by the UKEB in public. In addition, as no redrafted paragraphs have been made available to clarify how the direct (no direct) relationship concept will be embedded in the final standard at any stage during the Board discussions subsequent to the issuance of the ED, neither we, nor other stakeholders, have been given the opportunity to consider the exact nature of the requirements and how they address the concerns that we raised. Consequently, we do not consider that the IASB is able to conclude that “it is unlikely that re-exposure will reveal significant new concerns or information”.<sup>4</sup>
5. Given the likely impact of the IASB’s direct (no direct) relationship concept on the recognition and measurement of regulatory assets and liabilities by UK rate-regulated entities (a number of which are key parts of national infrastructure), as well as rate-regulated entities in other jurisdictions, we consider that the IASB should fully address the re-exposure criteria, set out in 6.25 of the IFRS Foundation Handbook. In this regard, the Staff paper being considered by the DPOC does not specify whether the Board has effectively assessed the evidence; determined the likely effects of the new requirements; or, determined that the various viewpoints have been “appropriately aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions”.
6. We also note that the direct (no direct) relationship concept does not address the evolving nature of regulatory regimes, particularly those that are incentive-based. This is not a UK-specific issue. Changes to regulatory schemes are already in place, or will be implemented shortly, in other jurisdictions, including large parts of Europe, such as the Netherlands and Italy. Consequently, it is important that stakeholders in other jurisdictions are given the opportunity to consider the implications of this new concept for entities subject to new regulation.

I am copying this letter to officials from the UK Department for Business and Trade, the UK Department for Environment, Food and Rural Affairs, the UK Financial Conduct Authority and the UK IFRS Foundation Trustee.

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<sup>4</sup> Staff Paper DP3 – June 2025, paragraph 21(b)

If you have any questions, please do not hesitate to contact the project team at [UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk).

Yours sincerely

**Pauline Wallace**  
**Chair**  
**UK Endorsement Board**

cc

Andrew Death, Deputy Director, Corporate Reporting, Assurance and Governance,  
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Amira Amzour, Deputy Director, Water Quality, Department for Environment, Food & Rural  
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Richard Sexton, IFRS Foundation Trustee