

TEXT OF E-MAIL FROM ALAN TEIXEIRA TO DUE PROCESS OVERSIGHT COMMITTEE (DPOC)

Date: 11 November 2013

Dear all

Please find attached IASB papers relating to three agenda items.

At the IASB meeting next week the IASB will vote on whether to proceed to ballot two final documents—a new IFRS on rate regulated activity and the IFRS on Revenue Recognition.

Rate Regulation

In November the IASB completed its consideration of the comments it received on a proposed 'interim' Standard that would allow first-time adopters of IFRS to continue to account for regulated activities using their legacy GAAP. This helps some jurisdictions transitioning IFRS by providing an interim, and non-presumptive, set of requirements while the IASB undertakes a broader project on rate regulated activities.

Next week the IASB will be asked for clearance to commence the balloting process for the interim Standard. Paper 14 is a summary of the due process followed.

Three issues deserve to be highlighted:

- The scope of the IFRS is narrow. It does not change any reporting requirements for entities already applying IFRS. It applies only to new adopters of IFRS that currently have local rate regulation reporting requirements in their local GAAP.
- Some jurisdictions are unhappy that we are issuing an interim Standard now, having turned down earlier requests to do so (eg Brazil).
- Three IASB members are likely to dissent to the Standard, generally because they do not believe that rate regulation leads to the existence of assets or liabilities so the interim Standard is simply delaying the inevitable.

We plan to present a full life-cycle review at the face-to-face meeting in January. If the DPOC give clearance we will publish the new IFRS shortly after the January DPOC meeting.

Revenue Recognition

You will recall that in May this year the IASB reviewed its due process steps and voted to proceed to ballot the new revenue recognition Standard.

At the July face-to-face DPOC meeting we did a complete life-cycle review of the revenue recognition project (Paper 3D at the July meeting).

As a consequence of comments received from the extensive external review of the pre-release draft, three matters were brought back to the IASB and FASB for clarification. The boards discussed those matters in public meetings, and at the November public meeting, completed their deliberations.

Matters taken back to the IASB as a consequence of the drafting review are called 'sweep issues'. Dealing with such matters does not require that the IASB re-vote on the whole Standard. Sweep issues are normally taken back to the IASB to make sure that the words in the IFRS reflect the intention of the IASB. However, given that it is six months since the IASB started the ballot process and because some commentators might consider one or more of the three matters to

be more significant than simple drafting clarifications, the IASB decided that it would be safer to confirm that it wished to go ahead with the IFRS by voting to recommence the ballot process. Paper 7A sets out the steps that have taken place since the IASB completed its due process review in May. *Appendix A to paper 7A is a copy of a paper discussed by the IASB in May and has been provided to the IASB as a reminder of the steps already taken (and was also provided to you in July as paper 3D(i)).*

The FASB voted last week to proceed.

Because you have already had a full life-cycle review of this project we do not plan to bring this to a face-to-face meeting.

Annual Improvements and Narrow Scope Amendments

Papers 12A, 12B, and 12D relate to narrower scope activities.

Papers 12A and 12B relate to narrow scope amendments to the Consolidations and Joint Arrangements Standards. These amendments, and the related due process steps, are straightforward.

Paper 12C relates to the completion of the 2012-2014 Annual Improvements cycle. The most important part of the review is to ensure that each of the amendments has been assessed against the annual improvements criteria. You will recall that several due process complaints over the last two years have related to accusations that we are making bigger changes than can be justified in an annual improvements process. (In all cases those complaints came to the DPOC before the IASB had considered the comments received on the amendments). The assessment against the criteria was carried out as each matter was discussed by the IASB.

Request to DPOC members

I would appreciate any feedback you have on any of these projects by the end of this week so that your comments can be fed into the Board discussion next week.

Kind regards

Alan

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