

Report to the Due Process Oversight Committee—November 2016

TEXT OF E-MAIL FROM HENRY REES TO DUE PROCESS OVERSIGHT COMMITTEE (DPOC)

Date: 8 November 2016

The Board will hold its next meeting the week commencing 14 November 2016. There are three matters to be brought to the attention of the Due Process Oversight Committee (DPOC).

- a. Insurance Contracts: Mandatory effective date of IFRS 17 (Agenda Paper 2H)
- b. IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures*—Long-term interests: Due process steps (Agenda Paper 12A)
- c. Property, Plant and Equipment: Proceeds before Intended Use: Due process steps (Agenda Paper 12B)

Insurance Contracts: Mandatory effective date of IFRS 17 (Agenda Paper 2H)

The drafting of the new Insurance Contracts Standard (IFRS 17) is progressing and it is expected to be issued in the first half of 2017. The DPOC completed its life-cycle review of the Insurance Contracts project in May 2016.

At the November meeting, the Board will set the effective date of IFRS 17.

Agenda Paper 2H proposes that entities apply IFRS 17 for annual periods beginning on or after 1 January 2021, assuming that the Standard is issued in the first half of 2017. This would allow 3½ to 4 years from the issuance of IFRS 17 to its mandatory effective date. The paper also proposes that early application be permitted.

IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures*—Long-term interests (Agenda Paper 12A)

As highlighted at the DPOC meeting in New Delhi, the Board, at its September meeting, considered proposals for a draft IFRIC Interpretation developed by the Interpretations Committee to address whether an entity applies IFRS 9 *Financial Instruments*, in addition to IAS 28 *Investments in Associates and Joint Ventures*, to long-term interests in an associate or joint venture. The draft Interpretation would have clarified the scope of IFRS 9 and specified how the requirements in IFRS 9 and IAS 28 apply to long-term interests.

The Board agreed with the Interpretation Committee's technical conclusions. However, the Board was concerned that the draft Interpretation would have strayed into the application of the equity method in IAS 28, in addition to specifying that long-term interests are within the scope of IFRS 9, and consequently that this might delay clarifying the question originally asked.

Therefore, in October 2016, the IASB tentatively decided to propose narrow-scope amendments to IAS 28 to clarify that an entity applies IFRS 9, in addition to IAS 28, to long-term interests. The Board concluded this would be a more effective way of clarifying which Standards apply to long-term

interests. The Board also tentatively decided to include the proposed amendments in the next cycle of annual improvements (2015–2017).

At its November 2016 meeting the Board will be asked:

- a. to agree to the publication of an Exposure Draft (ED) with a comment period of no less than 90 days, which is in accordance with paragraph 6.15 of the IFRS Foundation's *Due Process Handbook*;
- b. if any member of the Board intends to dissent from the ED;
- c. to confirm that it is satisfied that it has complied with all due process requirements to date; and
- d. if the staff may start the balloting process.

A summary of the Board's due process steps is set out in Appendix A of Agenda Paper 12A.

Property, Plant and Equipment: Proceeds before Intended Use: Due process steps (Agenda Paper 12B)

In October 2016, as a result of a recommendation from the Interpretations Committee, the Board tentatively decided to propose amendments to IAS 16 *Property, Plant and Equipment*. The amendments would prohibit deducting from the cost of an item of property, plant and equipment (PPE) the proceeds from selling items produced while making that item of PPE available for use.

At its November 2016 meeting the Board will be asked:

- a. to agree to the publication of an Exposure Draft (ED) with a comment period of no less than 120 days, which is in accordance with paragraph 6.7 of the IFRS Foundation's *Due Process Handbook*;
- b. if any member of the Board intends to dissent from the ED;
- c. to confirm that it is satisfied that it has complied with all due process requirements to date; and
- d. if the staff may start the balloting process.

A summary of the Board's due process steps is set out in Appendix A of Agenda Paper 12B.

Copies of Agenda Papers 2H, 12A and 12B are attached to this email.

This report is primarily for information and to provide the DPOC with assurance that the Board is reviewing the due process steps and fulfilling the requirements of the *Due Process Handbook* as these projects progress.