

Report to Due Process Oversight Committee December 2018

Dear DPOC Members,

The International Accounting Standards Board (Board) will hold its next meeting in London the week commencing 10 December 2018. We draw your attention to the following Agenda Papers:

- a) Agenda Paper 2: Insurance Contracts;
- b) Agenda Paper 10: Updating a reference to the Conceptual Framework (Amendments to IFRS 3)—Contingent liabilities, contingent assets, transition and due process;
- c) Agenda Paper 12: Accounting Policy Changes (Proposed amendments to IAS 8):
 - i. Agenda Paper 12B: Analysis of feedback—status of Agenda Decisions and timing of application;
- d) Agenda Paper 12D: Annual Improvements to IFRS Standards—Due process steps and transition for the proposed amendments to IFRS 1; and
- e) Agenda Paper 14: IBOR Reform and the Effects on Financial Reporting—Research findings

Agenda Paper 2: Insurance Contracts

At its October 2018 meeting, the Board received an overview of the main concerns and implementation challenges about the requirements in IFRS 17 *Insurance Contracts* expressed by stakeholders since the Standard was issued. The Board also established criteria for assessing any potential amendments to IFRS 17. In November 2018, the Board tentatively decided to defer the effective date of IFRS 17 by one year and to amend the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 to 1 January 2022.

At this month's meeting, the Board will consider updated analysis about 13 of the 25 topics initially considered in October and be asked whether it agrees with the staff recommendations:

- a) to amend the requirements in IFRS 17 for the presentation of insurance contracts on the statement of financial position; and
- b) not to amend the requirements in IFRS 17 for the other topics to be discussed at the meeting.

The Board will consider the remaining 10 topics at future meetings.

Agenda Paper 10: Updating a reference to the Conceptual Framework (Amendments to IFRS 3) — Contingent liabilities, contingent assets, transition and due process

Agenda Paper 10 summarises the Board's decisions to date in its narrow-scope project to replace the reference to the previous version of the *Conceptual Framework* found in IFRS 3 *Business Combinations*. The intention is to amend IFRS 3 to refer to the revised *Conceptual Framework* which was issued in March 2018.

Agenda Paper 10 also:

- a) summarises the due process steps taken to date on the project and asks the Board if it is satisfied that all necessary due process steps have been taken in order to prepare an Exposure Draft for ballot;
- b) proposes a 120-day comment letter period in accordance with paragraph 6.7 of the *Due Process Handbook*; and
- c) asks if any Board members intend to dissent from the proposals in the Exposure Draft in accordance with paragraph 6.9 of the *Due Process Handbook*.

Accounting Policy Changes (Proposed amendments to IAS 8)

Agenda Paper 12B: Analysis of feedback—status of Agenda Decisions and timing of application

The Board published the Exposure Draft *Accounting Policy Changes—Proposed amendments to IAS 8* in March 2018. The proposed amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* aim to simplify the application of accounting policy changes that result from an Agenda Decision by lowering the threshold for retrospective application of such changes.

The Exposure Draft did not specifically request views on the status of Agenda Decisions. However, some respondents said the proposed amendments raise questions about the status of Agenda Decisions and their role in the application of IFRS Standards. Such feedback links to matters of due process, and therefore the staff intend to report the feedback to the DPOC at its January 2019 meeting as part of the DPOC's ongoing review of the *Due Process Handbook*.

Accordingly, Agenda Paper 12B for this meeting analyses the feedback on the status of Agenda Decisions and asks the Board for its views. The staff will report the Board's views to the DPOC in January 2019, together with the feedback in the comment letters.

Agenda Paper 12D: Annual Improvements to IFRS Standards 2018-2020 Cycle—Due process steps and transition for the proposed amendments to IFRS 1

The Board has tentatively decided to include the following proposed amendments in the Exposure Draft *Annual Improvements to IFRS Standards 2018–2020 Cycle*:

- a) IFRS 1 *First-time Adoption of International Financial Reporting Standards*—Subsidiary as a first-time adopter;
- b) IFRS 9 *Financial Instruments*—Fees in the '10 per cent' test for derecognition;
- c) Illustrative Example 13 accompanying IFRS 16 *Leases*—Lease incentives; and
- d) IAS 41 *Agriculture*—Taxation in fair value measurements.

Agenda Paper 12D:

- a) asks the Board whether it agrees with the recommendation regarding transition for the proposed amendments to IFRS 1—Subsidiary as a first-time adopter;
- b) summarises the due process steps the Board has taken in developing the Exposure Draft *Annual Improvements to IFRS Standards 2018–2020 Cycle* (Exposure Draft) and asks the Board to confirm it is satisfied that it has complied with the applicable due process requirements;
- c) proposes a 90-day comment letter period in accordance with paragraph 6.15 of the *Due Process Handbook*; and
- d) asks if any Board members intend to dissent from the proposals in the Exposure Draft in accordance with paragraph 6.9 of the *Due Process Handbook*.

Agenda Paper 14: IBOR Reform and the Effects on Financial Reporting—Research findings

As explained at the October 2018 DPOC meeting, in June 2018 the Board added to its active research agenda a research project to assess the effects on financial reporting of the potential discontinuation of IBORs (such as LIBOR, EURIBOR and TIBOR). The purpose of this paper is to present the staff research findings and propose that the Board move the project to its standard-setting programme from its research programme.

All Agenda Papers discussed above are attached for your information.