



Project	<b>Financial Instrument – Recognition and Measurement</b>
Topic	<b>Impairment – Drafting of ED and comment period</b>

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## Introduction

### *Background*

1. At its 17 September 2009 meeting, the IASB considered the responses from the Request for Information (RFI) and tentatively decided to issue an exposure draft (ED) in October 2009 proposing the ECF approach as the impairment method for financial assets measured at amortised cost. The Board also tentatively decided to set up an Expert Advisory Panel (EAP) to address further how some of the operational challenges of an ECF approach might be resolved.

### *Purpose*

2. The purpose of this paper is to ask the Board for its decision in relation to
  - (a) drafting of the ED; and
  - (b) the comment period for the ED.

## Drafting of the ED

3. In its meetings to date regarding the impairment of financial assets, the Board deliberated on the following issues:
  - (a) possible issues to be addressed in the exposure draft by application guidance or clarification;
  - (b) transition;
  - (c) guidance for variable rate instruments;

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This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB. The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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- (d) presentation and disclosures; and
  - (e) interaction with other IFRSs (IAS 28 and IFRS 4).
4. The staff notes that the Board plans to issue an ED on impairment in October 2009 and believes that it has all the decisions required from the Board to proceed with the drafting of the ED.
5. The staff proposes that the ED should follow a similar format to the ED on classification and measurement of financial instruments, ie rather than proposing to replace sections of IAS 39 on impairment, the staff proposes that the ED should be drafted as a standalone document. In the staff's view that provides the clearest form of presenting the proposals in the context of the ongoing replacement of IAS 39 with the expected issue of the new IFRS for financial instruments in November 2009.

**Staff recommendation**

6. The staff recommends that the Board direct the staff to proceed with drafting of the ED.

**Question 1 – Drafting of ED**

Does the Board agree with the staff recommendation that the staff should proceed with drafting of the ED?

If not, why and what other instructions would the Board like to give and why?

**Comment period**

7. At its 6 October 2009 meeting, the Board tentatively decided that the comment period for the ED should be 6 months but would consider extending the comment period if required.

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8. The staff is aware that the Board has committed to replace all of the requirements of IAS 39 during 2010. The staff believes that a comment period for the ED that is longer than six months would still allow to complete the project during 2010, as set out below.
9. The staff believes that the Board has at least the following alternatives (a broad timeline of each alternative is provided further below):
  - **Alternative 1:** six months comment period; and
  - **Alternative 2:** eight months comment period.

**Alternative 1**

**Table 1:** Project timeline with 6 mths comment period

<i>October 2009</i>	IASB Publishes ED
<i>November 2009 – April 2010</i>	Public consultation
<i>May– August 2010</i>	IASB redeliberations
<i>December 2010</i>	Deadline for final standard

**Alternative 2**

**Table 2:** Project timeline with 8 mths comment period

<i>October 2009</i>	IASB Publishes ED
<i>November 2009 – June 2010</i>	Public consultation
<i>July – October 2010</i>	IASB redeliberations
<i>December 2010</i>	Deadline for final standard

**Staff analysis**

10. The staff notes that the EAP is intended to have a limited life, being the length of the comment period. The staff envisages that the Board will consider feedback from the EAP in its redeliberations in issuing the final standard.
11. The staff also notes that in order for the EAP to provide valuable feedback, the EAP would need sufficient time to adequately address the operational issues of the ECF approach and perform field testing.

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12. The staff expects the EAP to consist mostly of members with background in risk management, systems development or operations, or product development or controlling. Therefore, the staff believes that extending the comment period would be important to facilitate participation in the EAP as well as responses to the ED of people with these backgrounds whose day-to-day job is not accounting (and whose capacity planning therefore would not typically envisage participation in the feedback process for standard setting as is the case for people working in accounting policy or similar functions).
13. The staff is also aware that the annual reporting season for a majority of preparers in the northern hemisphere falls within the ED comment period. Resources would most likely be strained and be deployed to meet reporting needs and deadlines.

**Staff recommendation**

14. Given the complexity of the issue and the expected composition of the EAP membership, the staff prefers a longer time frame for the EAP to address the operational challenges of the ECF approach as well as for respondents to the ED to consider the Board's proposals. However, the staff is also aware of the IASB's timeline to finalise the IAS 39 replacement in 2010.
15. The staff therefore recommends that the Board adopt Alternative 2, ie allow an eight month comment period for the ED. This would still provide the Board with sufficient time to publish a final standard by the end of 2010.

**Question 2 – Comment period**

Does the Board agree with the staff recommendation that the Board adopts Alternative 2 and allow eight months comment period?

If not, why and what other alternatives would the Board like and why?