

STAFF PAPER

14 December 2012

REG IASB Meeting

Project	Financial Instruments: Impairment		
Paper topic	Re-exposure, comment period, and permission to draft		
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Introduction

1. In November 2012 the IASB finalised the technical discussions for developing the three-bucket model.
2. The purpose of this paper is to discuss the due process requirements relating to the re-exposure draft and ballot process, and request the permission to:
 - (a) publish a re-exposure draft of the impairment model;
 - (b) adopt a 120-day comment period for the Re-exposure Draft; and
 - (c) begin the balloting process.

Major technical proposals

3. The re-exposure criteria are set out in paragraphs 6.25 and 6.26 of the *IFRS Foundation Due Process Handbook*.

6.25 In considering whether there is a need for re-exposure, the IASB:

- (a) identifies substantial issues that emerged during the comment period on the exposure draft that it had not previously considered;
- (b) assesses the evidence that it has considered;

(c) determines whether it has sufficiently understood the issues and actively sought the views of interested parties; and

(d) considers whether the various viewpoints were aired in the exposure draft and adequately discussed and reviewed in the Basis for Conclusions.

6.26 The IASB's decision on whether to publish its revised proposals for another round of comment is made in an IASB meeting. If the IASB decides that re-exposure is necessary, the due process to be followed is the same as for the first exposure draft. However, because it is not the first exposure of the proposed IFRS, it may be appropriate to have a shortened comment period, particularly if the IASB is only seeking comments on specific aspects of the revised exposure draft. The IASB normally allows a minimum period of 60 days for comment on a revised exposure draft.

Re-exposure

4. Since the publication of the Exposure Draft (ED) and Supplementary Document (SD), the IASB has redeliberated the issues and developed a new impairment model. While all the models are expected loss models, the new proposals differ significantly from previous iterations.
5. Although the IASB has actively sought the views of interested parties as well as input from members of the expert advisory panel (EAP) throughout the development of the three bucket model, there has not been a due process document that airs the various viewpoints or adequately discusses them in a Basis for Conclusions.
6. The staff therefore recommend that the IASB re-expose the current proposals.

Question 1 for the IASB

1. Does the IASB agree with the staff recommendation to publish a re-exposure draft for the impairment project?

Comment period for the re-exposure draft

7. While the three-bucket model based on simplifying concepts in the original ED, the proposed model is substantially different from both the original ED and the SD and features significant differences for interested parties to consider. Additionally, the staff are recommending that some fieldwork be undertaken in conjunction with the exposure process.
8. The staff therefore recommend a 120-day period for comment on the Re-exposure Draft documented as the normal minimum by the *IFRS Foundation Due Process Handbook*.

Question 2 for the IASB

2. Does the IASB agree with the staff recommendation adopt a comment period of 120 days for the re-exposure draft?

Permission to draft

9. The staff have documented the due process steps that the IASB has undertaken in developing the impairment model (see Agenda Paper **XX**). In that paper, the staff conclude that the IASB has complied with the mandatory and non-mandatory steps. If the IASB is satisfied that the steps performed are sufficient for the project to proceed, the staff will begin the balloting process.
10. At this time, the staff are also asking whether any IASB members intend to dissent from the proposal and, if so, their reasoning.

Questions 3 and 4 for the IASB

3. Does the IASB grant permission to the staff to begin drafting the ballot draft?

4. Do any IASB members intend to dissent from the proposal? If so, what is the basis for that dissent?