

AGENDA PAPER

IFRS Foundation Trustees' meeting – Due Process Oversight Committee

London

10 April 2013

**Agenda
paper** 3D

Memorandum

To: Due Process Oversight Committee

From: Alan Teixeira and David Loweth

Date: 27 March 2013

Re: Consultative Groups - update

Overview

1. The purposes of this paper are to update the DPOC on developments relating to a number of consultative groups, including the appointment of a new draft on rate-regulated activities, and to consider the DPOC's engagement with the IFRS Foundation's Constitutional bodies and consultative groups.

Consultative group: Effects analysis

2. At its October 2012 meeting, the DPOC reviewed the composition of a new consultative group to advise the IASB on the development of an agreed methodology for field testing and effects analysis. The first meeting of the Effects Analysis consultative group is scheduled for Monday 20 May 2013. It is an all-day meeting and will be held in London, in the IASB Boardroom.

XBRL Advisory Council and XBRL Quality Review Team

3. At the January meeting of the Trustees we reported on a strategic review of

XBRL (Agenda Paper 13 for that meeting).

4. Since that meeting, those plans have been discussed with the IFRS Advisory Council, the XBRL Advisory Council and the XBRL Advisory Council and XBRL Quality Review Team.

Feedback from the IFRS Advisory Council

5. The feedback from the IFRS Advisory Council was positive. The Council has expressed an interest in discussing electronic reporting, the IFRS Taxonomy and XBRL more fully. Accordingly, the topic is tentatively on the agenda for the June meeting, including break-out sessions.

Feedback from XBRL Advisory Council and XBRL Quality Review Team

6. Both bodies discussed the plans in March. Again, the feedback was positive. The XBRL Advisory Council (XAC) will discuss the matter again at its next face-to-face meeting, in October. By then the operational plan will be in place, and being implemented. In October the XAC will undertake a self-assessment of its continuing role as a consultative group, in the light of the refocused XBRL activities.
7. The terms of all XAC members expire at the end of this year. The October discussions therefore provide a good opportunity to round off a review of these two groups.

Consultative group: Rate-regulated Activities

8. As the DPOC is aware, following the 2011 *Agenda Consultation*, the IASB has decided to add a project on rate-regulated activities to its agenda. As part of the project, the IASB is forming a new consultative group to assist with its project on rate regulation.
9. In line with paragraph 3.59 of the *Due Process Handbook*, the DPOC is asked to review the proposed composition to ensure that there is a satisfactory balance of perspectives, including geographical balance.

Background

10. Rate regulation is a restriction in the setting of prices that can be charged to customers for services or products. It is generally imposed, by regulatory bodies or governments when an entity has a monopoly or a dominant market position that gives it excessive market power. It is widespread and significantly affects

the economic environment of rate-regulated entities. Some national GAAP provides specific guidance on this matter, but there is no equivalent guidance in IFRSs.

11. The long term objective of the Rate-regulated Activities project is to develop a Discussion Paper to consider whether rate regulation creates assets or liabilities in addition to those already recognised in accordance with IFRS for non-rate-regulated activities. If so, the project will also consider how such assets and liabilities should be accounted for and whether (and how) IFRSs should be amended.
12. Given the specialist nature of the subject and the need for industry expertise, a formal consultative group is being formed for this project.

Composition of the consultative group

13. On 30 January 2013 we published a call for nominations for membership of a consultative group on Rate-regulated Activities. Nominations closed on 3 March.
14. We received 39 nominations, of which we plan to accept 15. We think that this number of members, together with the observers selected, will provide us with reasonable coverage across geographic areas, as follows:

Distribution by geographical area					
	Candidates		Members		
Africa	1	3%	1	7%	
Asia-Oceania	5	13%	3	20%	
Europe	16	41%	5	33%	
North America	15	38%	5	33%	
South America	2	5%	1	7%	
	39	100%	15	100%	

Distribution by country				
	Candidates		Members	
Australia (Global)	1	3%	1	3%
Belgium	2	5%	0	0%
Brazil	2	5%	1	3%
Canada (1 Global)	11	28%	3	8%
France	2	5%	1	3%
Germany	1	3%	0	0%
India	2	5%	0	0%
Israel	1	3%	1	3%
Italy	1	3%	0	0%
Hong Kong	1	3%	1	3%
Korea	1	3%	1	3%
Netherlands	1	3%	0	0%
Norway	1	3%	0	0%
South Africa	1	3%	1	3%
Spain	1	3%	1	3%
UK (2 Global)	6	15%	2	5%
USA	4	10%	2	5%
	39	97%	15	36%

Distribution by role				
	Candidates		Members	
Accountancy Body	0	0%	0	0%
Accounting Firm	6	15%	4	27%
Government/Polycymaker	1	3%	1	7%
Individual (Academic)	1	3%	0	0%
Industry Organisation	0	0%	0	0%
Preparer/Industry	24	62%	7	47%
Preparer/Industry (Banks)	0	0%	0	0%
Preparer/Industry (Financials)	0	0%	0	0%
Preparer/Representative Body	1	3%	1	7%
Securities regulator	0	0%	0	0%
Rate regulator	1	3%	0	0%
Standard-setter	1	3%	0	0%
User/Representative Body	4	10%	2	13%
	39	100%	15	100%

15. Of the 24 Preparers from general industry, 4 are involved with transport and 20 with utilities.
16. We also had 4 requests for Observer status, 1 from Europe and 3 from North America. We propose accepting 3 of these requests, which will provide additional insight into the rate regulatory environment.

Consultative Group: Financial Instruments

17. A member of the consultative group for financial instruments from the banking industry of Japan has stepped down from this group. We identified a suitable candidate to replace that person and plan to appoint them to the group.
18. The appointment ensures that the industry and geographical balance of the consultative group has not been affected by the change in membership.

DPOC Engagement with consultative groups and constitutional bodies

19. The DPOC has a responsibility to monitor the effectiveness of the bodies and consultative groups that support the IASB. A review of consultative groups is conducted by the technical staff each year, and the outcome of this year's review will be considered at our meeting in July. It is also the case that a number of the consultative groups tend to operate as 'virtual' e-mail groups rather than in physical meetings.
20. Scott Evans has been discussing with the staff how the DPOC should carry out its responsibility in this area and its engagement with the bodies and consultative groups. A list of those bodies and consultative groups, together with details of the last DPOC engagement and next meetings (where applicable) is at Appendix A. Scott is proposing that one member of the DPOC, or David Loweth (on behalf of the DPOC), should attend at least part of a face-to-face meeting of each of the major groups each year and report back to the Committee to validate the breadth of attendance and an appreciation of the quality of dialogue. At our meeting on 10 April, Scott would like to consider which groups we should focus on and to firm up assignments.

Appendix A

**DPOC ENGAGEMENT WITH IFRS FOUNDATION BODIES AND
CONSULTATIVE GROUPS**

Body/Group	Last Engagement (if applicable)	Next meetings
<i>Constitutional Bodies</i>		
IASB	Chair and/or Vice-Chair of IASB attend all meetings of the DPOC. Both attended January 2013 DPOC meeting, as did 3 other IASB members.	Chair and Vice-Chair of IASB to continue to attend all meetings of the DPOC. Other IASB members can attend if they wish.
IFRS Interpretations Committee	The then Chair, Vice-Chair and Director for Trustee Activities held a session with the IC as part of its November 2012 meeting.	Next meetings for 2013: 14-15 May, 16-17 July, 10-11 September, 12-13 November.
IFRS Advisory Council	Since October 2011: Chair of the DPOC has attended the AC meetings in October 2011, February 2012, June 2012. Director for Trustee Activities attended October 2012 and February 2013. Since October 2011: Chair of the AC has attended Trustee meetings in October 2011, July 2012, October 2012, and January 2013	Chair of the DPOC to attend future AC meetings depending on agenda. Next AC meeting 10-11 June 2013, then 14-15 October 2013. Decision on whether Chair of AC should attend each Trustee meeting will be taken depending on agenda of that meeting.

<i>Consultative Groups</i>		
Global Preparers Forum (GPF)	None recorded.	Next meeting 13 June 2013 (joint with CMAC), then 11 November 2013.
Capital Markets Advisory Committee (CMAC)	None recorded.	Next meeting 13 June 2013 (joint with GPF), then 17 October 2013.
Emerging Economies Group (EEG)	None recorded.	Next meeting 30-31 May 2013 in Seoul.
SME Implementation Group (SMEIG)	None recorded. First physical meeting held 4-5 February 2013.	No meeting planned.
ASAF	None as yet – first meeting yet to be held.	First meeting scheduled for 8-9 April 2013. Director for Trustee Activities will attend.
XBRL Advisory Council	Chair of XAC attended April 2012 DPOC meeting DPOC Chair/Vice Chair/Director for Trustee Activities attended 9 October 2012 XAC meeting	Next meeting 22 October 2013.
Financial Instruments	None recorded. Last meeting August 2011.	No meeting planned.

<i>Consultative Groups</i>		
Insurance Contracts	None recorded. Last meeting June 2012.	No meeting planned.
Leases	None recorded. Last meeting January 2012.	No meeting planned.
Expert Advisory Panel – Impairment of Financial Instruments	None recorded. Last meeting June 2010.	No meeting planned.
Valuation Expert Group	None recorded. Formed May 2012.	No meeting planned.
XBRL Quality Review Team	Chair of XQRT attended April 2012 DPOC meeting	Next meeting 23 October 2013.
Effects Analysis	None as yet – first meeting yet to be held.	First meeting of the group scheduled for 20 May 2013.
Rate-regulated Activities	None as yet – composition of group being determined	First meeting of the group yet to be scheduled