

AGENDA PAPER

July 2013

Due Process Oversight Committee			
Paper topic	Reporting Protocol – Annual report on general due process matters		
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This paper has been prepared by staff of the IFRS Foundation. The views expressed in this paper reflect the individual views of the author[s] and not those of the IASB or the IFRS Foundation. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs.

Introduction

1. The purpose of this paper is to report to the DPOC on the following issues for the year to 30 June 2013:
 - (a) the receipt of comment letters and their being made publicly available (paragraphs 2-5);
 - (b) the availability of IASB papers to observers (paragraphs 6-11); and
 - (c) the IASB's dialogue with securities and other regulators (paragraphs 12-17).

Comment Letters

2. The *IFRS Foundation Due Process Handbook* states that:

Comment letters

- 3.64 Comment letters play a pivotal role in the deliberations process of both the IASB and its Interpretations Committee, because they provide considered and public responses to a formal consultation.
 - 3.65 All comment letters received by the IASB are available on the IFRS Foundation website. Portions of a comment letter may be withheld from the public if publication would be harmful to the submitting party, for example, a potential breach of securities disclosure laws.
3. In the year to 30 June 2013 we received comment letters in relation to the following projects:

Project	Comment letters / Responses	Unsolicited correspondence
Exposure Drafts		
<i>Major projects</i>		
Classification and Measurement: Limited Amendments to IFRS 9	169	-
<i>Narrow scope improvements</i>		
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	76	-
Novation of Derivatives and Continuation of Hedge Accounting	78	-
Clarification of Acceptable methods of Depreciation and Amortisation	98	-
Acquisition of an interest in a joint operation	70	-
Equity Method Share of other net assets changes	78	-
Sale or contribution of assets between investor and associate or JV	65	-
Annual Improvements to IFRSs 2010-2012	84	-
Annual improvements to IFRSs 2011-2013	65	-
Interpretations		
IFRIC 21 Levies	53	-
Puttable instruments on NCI	68	-
Requests for Information		
Post Implementation Review of IFRS 8 <i>Operating Segments</i>	62	-
Rate Regulation	78	-
IFRS for SMEs	89	-
Interpretations Committee rejection notices		
IAS 18, IAS 37, and IAS 39 Regulatory assets and liabilities	2	-
IFRS 3 Business Combinations Accounting for reverse acquisition transactions where the acquire is not a business	5	-
IAS 7 Statement of Cash Flows – identification of cash equivalents	3	-
IFRS 2 Share-based payments Timing of the recognition of intercompany recharges	3	-
IAS 16, IAS 38, IAS 17 Purchase of right to use land	4	-
IAS 19 Post vs pre-tax discount rate	2	-

Project	Comment letters / Responses	Unsolicited correspondence
IAS 10 Reissuing financial statements	3	-
IFRS 3 continuing employment	4	-
IAS 27, IAS 10 Non-cash acquisition of NCI by controlling shareholder	2	-
IAS 28 Impairment of investments	2	-
IAS 41, IFRS 13 FVM valuation of biological assets using a residual method	3	-
IAS 28, IFRS 3 Associates and common control	6	-

4. We received one request for anonymity, from a Government department. The potential respondent approached us before sending in a letter, explaining that they wanted to provide information about contractual arrangements between that Government and entities in its jurisdiction which the Government did not want to become publicly known. Given the sensitivity of the information, I suggested that they provide the information to the technical manager on the project on a confidential basis and that the technical manager could incorporate that factual information in their analysis. The Government Department did so. The letter has not been distributed to IASB members or placed on the public website. The information in the letter was of a factual nature about types of transactions in that jurisdiction rather than any analysis or opinions about a specific proposal by the IASB. In these circumstances I considered the request to be reasonable.

Conclusion

5. I am not aware of any letters being withheld from public posting in the year to 30 June 2013.

IASB papers made available to observers

6. The IASB strives to operate in an open and transparent manner. Accordingly, the due process handbook includes a section explaining the importance of making papers discussed by the IASB members available to observers.

7. The *Due Process Handbook* states:

- 3.11 All material discussed by IASB or Interpretations Committee members in their public meetings, including papers that are prepared by technical staff, is usually made available to observers via the IFRS Foundation website. The IASB Chair, Vice-Chair or a Senior Director of Technical Activities have the discretion to withhold papers, or parts of papers, from observers if they determine that making the material publicly available would be harmful to individual parties, for example, if releasing that information could breach securities disclosure laws. The DPOC expects that withholding material in such circumstances would be rare and that most papers of the IASB and the Interpretations Committee will be publicly available in their entirety.
- 3.12 The technical staff is required to report to the IASB and the DPOC at least annually on the extent to which material discussed by the IASB or the Interpretations Committee has not been made available to observers and the main reasons for doing so. In addition, the technical staff is required to include in that report the number of meeting papers that have been posted later than 5 working days in advance and the main reasons for doing so.

Practice in the year to 30 June 2013

8. I am not aware of any cases in the year to 30 June 2013 where a document discussed by the IASB or the Interpretations Committee in a public meeting was withheld from observers or had any material removed.
9. As I reported last year, I am aware of three scenarios where papers have not been made available to observers on a timely basis.
- (a) Papers are not posted to our website before a meeting: in all such cases this reflects an administrative error rather than a deliberate action. Not posting papers to our website before a meeting is rare. When it does happen, observers make us aware of such oversights. We re-designed our meetings web pages and our posting procedures to reduce the risk of failing to post a paper. I am not aware of any such cases in the year to 30 June 2013, which is an improvement on the previous year.
- (b) Correspondence arrives, or analysis is prepared, during an IASB or Interpretations Committee meeting: as a result, I am aware of instances when the staff have distributed a paper to IASB members and to observers physically attending the meeting but the paper has not been available to remote observers until after the

meeting has finished. The papers are then made available, but clearly have not been available on a timely basis. Again, this is rare. During the year to 30 June 2013 I am confident that we have virtually eliminated such cases.

- (c) The perception that we are withholding papers: individual IASB members speak with interested parties and receive emails and letters about aspects of a project. In most cases the correspondent wishes the IASB member to treat the exchange as private or informal. Nevertheless, individual IASB members often mention these exchanges, in very general terms, in Board meetings. This can create the impression that all IASB members have access to material that is being withheld from observers. This is not the case. IASB members and staff are careful to protect the principle that full and open consideration of technical issues must take place during public meetings.
10. The staff have been reporting to the DPOC throughout the year on the late posting of papers for IASB meetings (defined in the *Due Process Handbook* as later than 5 working days in advance of meetings). A summary of those reports is at Appendix A.

Conclusion

11. In the year to 30 June 2013 all agenda papers distributed to IASB members for public meetings of the IASB were made available on our public website, unaltered.

Securities and other regulators

12. The Due Process Handbook states:

Securities and other regulators

- 3.54 The IASB is responsible for developing global financial reporting standards that are enforceable.
- 3.55 To achieve this it is important that the IASB maintains a dialogue with securities regulators. Such a dialogue is usually undertaken by establishing regular meetings with such regulators. In addition, the Interpretations Committee has the right to invite members of securities regulatory bodies to act as official observers to its meetings.
- 3.56 Financial information prepared in accordance with IFRSs is used by other regulators, including prudential supervisors and taxation authorities. The

IASB develops IFRSs to improve the transparency and integrity of financial statements.

3.57 The IASB is aware that prudential supervisors rely on financial reports for some of their functions. To assist prudential supervisors, the IASB keeps an enhanced dialogue with such authorities, particularly through the Financial Stability Board and the Bank of International Settlements.

13. We maintain regular dialogue with prudential regulators. Our interaction with prudential regulators is at both a policy level and at a standard specific level.
14. At the policy level Hans is a member of the Financial Stability Board (FSB) so he attends their meetings. In addition we provide them with periodic updates on the progress on our joint project with the FASB (with particular focus on accounting for financial instruments and insurance contracts).
15. We have also initiated a dialogue between the IASB and the Basel Committee. Given the importance of this relationship we are currently investigating documenting it with a memorandum of understanding.
16. At a project level we have regular dialogue with the Basel Accounting Task Force (the ATF, a sub-committee of the Basel Committee) and the International Association of Insurance Supervisors (IAIS). Observers from the Basel Committee and the IAIS have participated in the IASB's insurance working group. In addition, 3 times a year we meet in a forum (the 'three way dialogue') between the IASB, the Basel ATF and the International Institute of Finance (a global banking body). This forum enables us to discuss the interaction between our requirements and those of the prudential regulators and for us both to obtain input and information from the banks.
17. In addition to these international initiatives we also have interaction with prudential regulators at a national and regional level. For example, we have presented our impairment proposals to the Bank of England and the Brazilian Central Bank and we meet several times a year with the European Banking Authority to discuss our financial instrument projects. In respect of insurance we have presented our proposals to staff at the European Insurance and Occupational Pensions Authority (EIOPA), and had discussions with representatives from the UK Financial Services Authority¹.

¹ The FSA has now been replaced by the Prudential Regulatory Authority and the Financial Conduct Authority.

Appendix A: Late Board paper postings

Late postings for December 2012 (Board meeting commenced 13 December 2012)

<i>IASB Paper number</i>	<i>FASB Memo number</i>	<i>Project</i>	<i>Status of paper</i>	<i>Comment</i>
7C	165C	Revenue Recognition: Effect of the revenue recognition model on some bundled arrangements	Posted on 10 December, discussed on 14 and 17 December.	This was a short supplementary paper to clarify the interaction of Agenda Paper 11 with a proposed Annual Improvement amending the same paragraph of IAS 36.
11A		IAS 36 Narrow-scope amendment: recoverable asset disclosures	Posted on 13 December, discussed on 17 December.	

Late postings for January 2013 (Board meeting commenced 28 January 2013)

<i>IASB Paper number</i>	<i>FASB Memo number</i>	<i>Project</i>	<i>Status of paper</i>	<i>Comment</i>
10		Matters arising from the IFRS Interpretations Committee: Novation of derivatives and consequences for hedge accounting	Posted on 25 January, discussed on 30 January.	The IFRS Interpretations Committee met on 22 and 23 January. This was the earliest the paper could be prepared. It related to an urgent project, with a 30 day comment period.

Late postings for February 2013 (Board meeting commenced 18 February 2013)

<i>IASB Paper number</i>	<i>FASB Memo number</i>	<i>Project</i>	<i>Status of paper</i>	<i>Comment</i>
3K		Conceptual Framework: Table of contents	Posted on 13 February, discussed on 18 February	A draft <i>Table of Contents</i> prepared at the request of IASB members following the small group meetings leading up to the full IASB meeting. The paper did not contain any technical analysis or require any decisions.
7A-Supp.	167A-Supp.	Revenue Recognition: Disclosures: disaggregation of revenue - Supplement	Posted on 18 February, discussed on 20 February	The short supplemental paper was prepared at the request of FASB members at their education session on 13 February. The supplement included the staff's initial thinking on the draft wording that might be used in the final standard for the disclosure requirement related to the disaggregation of revenue. The FASB members wanted to consider the draft wording at the same time as the technical analysis in the paper. The paper was also provided to the IASB so that both boards had the same information in the discussion.'

12C	256	Leases: Sweep Issue - Transition	Posted on 12 February, discussed on 20 February	The FASB requested that an issue regarding transition that was identified during the drafting process be brought to the February meeting. It was important that we brought the issue to the February meeting because waiting until March would have pushed out the publication date of the Leases Exposure Draft. The matter was narrow in scope.
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**Late postings for May 2013
(Board meeting commenced 21 May 2013)**

<i>IASB Paper number</i>	<i>FASB Memo number</i>	<i>Project</i>	<i>Status of paper</i>	<i>Comment</i>
14C		Fair Value Measurement: proposed amendments to IFRS 13: discussions with the Interpretations Committee (IC)	Posted on 17 May, discussed on 21 May	Paper reflected discussions at the IC meeting which was held on 14-15 May.
16A-D		IAS 41 and IFRS 13: valuation of biological assets using a residual method	Posted on 17 May, discussed on 22 May	These supplemental papers reproduced for the Board material (already publicly available) that had been discussed at a number of IC meetings in May, September and November 2012, and March 2013.

**Late postings for June 2013
(Board meeting commenced 18 June 2013)**

<i>IASB Paper number</i>	<i>FASB Memo number</i>	<i>Project</i>	<i>Status of paper</i>	<i>Comment</i>
6B	231	Accounting for Financial Instruments: Classification and Measurement – Comment letter and outreach summary	Posted on 12 June, discussed on 18 June	This was a FASB staff paper summarising the outcome of the FASB’s consultation exercise that was presented to both boards for discussion.