

# AGENDA PAPER

IFRS Foundation Trustee meeting

Mexico City 7-9 October 2014

Agenda ref 2

PRESENTER Ian Mackintosh

## Report of the IASB Chairman Introduction

1. I am pleased to provide a report on developments since our last meeting in July 2014. Since I last reported to you the IASB has issued:
  - IFRS 9—*Financial Instruments*
  - IAS 41—*Agriculture: Bearer Plants*
  - IAS 27—*Separate Financial Statements: Equity Method in Separate Financial Statements*
  - Narrow-scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
2. It has also published:
  - Discussion Paper: *Reporting the Financial Effects of Rate Regulation*
  - Exposure Draft: *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)
  - Proposed Interim Release 2 to the IFRS Taxonomy 2014
  - Exposure Draft: *Recognition of Deferred Tax Assets for Unrealised Losses* (Proposed amendments to IAS 12 *Income Taxes*)

## Technical Work plan overview

3. As I anticipated in my last report, the IASB completed its reform of financial instrument accounting by issuing IFRS 9 *Financial Instruments* on 24 July 2014. The package of

improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The Trustees received an overview of the new Standard at their meeting in July 2014 and we have been encouraged by the positive statements that have been made regarding endorsement of the Standard. The new Standard will be effective on 1 January 2018 with early application permitted.

4. The IASB continues to work intensively on our final round of redeliberations on two major projects: Leases and Insurance Contracts. In August we published a document to update stakeholders on the status of the Leases project, which we also shared with you. We also continue to provide regular updates on the Insurance project. We remain on target to issue both Standards in 2015. Nevertheless, the IASB is still deliberating some difficult and contentious issues on both of these projects at the moment.
5. We have had a few months of intense Board discussions on the *Conceptual Framework*. Discussions continue and the Exposure Draft is planned to be issued early in 2015.
6. The comment period for the Discussion Paper (DP) *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging* ends on 17 October 2014. We have received strong support from constituents for the IASB having addressed this topic by publishing the DP and considering the subject in a comprehensive manner. It is currently too early to determine whether there will be a consensus on the accounting approach explored in the DP.
7. Our research work is going well: the DP on *Rate-Regulated Activities* was published on 17 September 2014 and our other projects are being discussed with the Board and stakeholders. By the time of the Trustees’ meeting we will also have held our first Research Forum at the Saïd Business School at Oxford University.
8. Finally, we are making good progress with our Disclosure Initiative. There are a portfolio of projects being undertaken as part of the initiative, which aim to foster dialogue between users of financial statements, preparers, standard-setters, auditors and regulators. We are currently considering the feedback on the Exposure Draft of amendments to IAS 1 *Presentation of Financial Statements*—the feedback includes strong support for the initiative.
9. A more detailed review of the technical activities is set out in Agenda Paper 3B for the Due Process Oversight Committee.

### **Engagement strategy**

10. As part of our strategy to develop a single set of high quality, understandable,

enforceable and globally accepted accounting standards, it is important that we have an effective engagement strategy with all stakeholders, especially the primary users of financial statements (ie investors and analysts). As you may recall, we have been reviewing our engagement strategy with investors, especially the buy-side, and are working to improve our interactions with them—especially because of their inherent hesitancy to participate via the comment letter process. Our strategy includes developing better relationships with senior management of these organisations, offering investor education, and improving documentation of our discussions on feedback that we have received. When the IASB makes significant project decisions, the staff will also follow up with the investors that have provided feedback on their projects. This will help investors to better understand how their views have been considered, thereby in turn increasing the transparency of our process as well as improving relationships with these stakeholders.

11. The Accounting Standards Advisory Forum (ASAF) enables us to communicate effectively with national standard-setters, while ensuring that we receive a broad range of national and regional advice on major technical issues. In June we had productive meetings with the ASAF on a broad range of key issues and we have a full agenda for the forthcoming September meeting.

### **Use of IFRS globally**

12. We are continuing to assess our progress towards the goal of globally accepted accounting standards by developing individual jurisdiction profiles about the use of IFRS. In the last quarter we have updated several country profiles, including profiles on the use of IFRS in Singapore to reflect the joint announcement by the Accounting Standards Committee and the Singapore Stock Exchange (SGX) that Singapore-incorporated companies listed on the SGX will apply a new financial reporting framework identical to IFRS starting in 2018. The current differences between Singapore Financial Reporting Standards and IFRS will be eliminated.
13. To complement the IFRS Jurisdictions Profiles, work has now also started on gathering data on the use of the IFRS Taxonomy. A pre-survey was launched in August asking national standard-setters to comment on the general filing requirements for IFRS financial statements within their jurisdiction. A survey was also sent to four regulators in Asia asking questions about their usage of the IFRS Taxonomy. We expect to publish the first IFRS Taxonomy Jurisdictions Profiles on the IFRS website early in 2015.
14. Finally, I visited Japan in September and I was encouraged to see that more and more companies have decided to use IFRS—the number of IFRS-adopting companies in Japan has more than doubled from 20 to 45 over the past year. This is encouraging, because the

use of IFRS is not mandatory in Japan; instead, it is based on business decisions made by each preparer.

### **Consistency in the application of IFRS globally**

15. We have continued to take steps to ensure IFRSs are applied and enforced on a globally consistent basis.
16. Since our last meeting we have held, with the FASB, the first meeting of our Joint Transition Resource Group for Revenue Recognition. The group discussed a number of implementation issues relating to the new revenue Standard (IFRS 15) and we think it should prove to be useful in aiding entities to make a smooth transition to the new Standard. The next meeting will on 31 October 2014 and four meetings are currently planned for next year.
17. We have also announced the membership of the Transition Resource Group for Impairment of Financial Instruments. The objective of this group is to provide a forum for stakeholders to discuss emerging implementation issues arising from the new impairment requirements set out in IFRS 9.
18. In July, the IFRS Foundation and the European Securities and Markets Authority (ESMA) announced the agreement of a joint Statement of Protocols to serve as the basis for future co-operation in areas of mutual interest. The Statement of Protocols reaffirms the existing high levels of co-operation between the IFRS Foundation and ESMA. It also describes additional areas of co-operation, including electronic reporting, the implementation of new Standards and other emerging financial reporting issues.

### **Education Initiative**

19. Since our meeting in July, the Education Initiative has:
  - (a) facilitated IFRS teaching workshops in Auckland, Jakarta, Johannesburg, London and Madrid;
  - (b) organised IFRS conferences in Johannesburg, Berlin, Tokyo and London; and
  - (c) facilitated a two-day *IFRS for SMEs* ‘train the trainer’ workshops in Armenia (organised by the World Bank) and Malaysia (organised by the Malaysian Accounting Standards Board and the Malaysian Institute of Accountants).
20. This is in addition to the development of the 2014 edition of the ‘commercial’ text *A Guide though IFRS* (sometimes called the ‘Green Book’).
21. It has also published, in collaboration with the CFA Institute, investor-focused multimedia

presentations on a range of new IFRSs and developed, in collaboration with Imperial College Business School, a multimedia presentation for use in MBA programmes on making IFRS judgements.

### **Effects analysis**

22. The Effects Analysis Consultative Group was formed in 2013 in response to the Trustees' strategic plan and held its first meeting in May 2013. The final report is being presented to the Due Process Oversight Committee at its meeting alongside the Trustee meeting. I think this is an important step for the IASB, because it sets out how we will undertake and report on an assessment of the likely effects of changes to financial reporting that the IASB is proposing.