

AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

TORONTO 14 APRIL 2015

Agenda ref 3C

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Leases: due process ‘lifecycle’ review

Introduction

1. The purpose of this paper is to:
 - a. summarise the due process steps completed for the IASB’s leases project; and
 - b. seek the confirmation of the Due Process Oversight Committee (DPOC) that all necessary due process steps have been followed and that its review of due process on this project is now complete.
2. This project, which has been conducted jointly with the US Financial Accounting Standards Board (FASB), will result in a new IFRS that will replace IAS 17 *Leases*.

Background and latest developments

3. Details of the due process steps that have been followed can be found in the Agenda Paper (AP) *Leases: Due process, re-exposure and permission to ballot* that was presented to the IASB at its March 2015 meeting (AP 3A for that meeting¹). A copy of that paper is attached as AP 3C(i) for this meeting. The paper summarises all the mandatory and optional due process steps that have been taken on the project, including the issue of three consultative documents:
 - (a) Discussion Paper (DP) *Leases: Preliminary Views* (2009);
 - (b) Exposure Draft (ED) *Leases* (2010); and
 - (c) revised ED *Leases* (2013).

¹ A copy was circulated to the DPOC under cover of Michelle Sansom’s e-mail of 9 March 2015.

4. The paper also summarises the work the IASB has undertaken on the project with consultative and other specialist advisory groups, public hearings and other outreach (including fieldwork and investor outreach).
5. At its March meeting, the IASB agreed the following:
 - (1) **Due process:** all due process requirements have been met;
 - (2) **Re-exposure:** there is no need to re-expose the new *Leases* Standard;
 - (3) **Permission to ballot:** sufficient consultation and analysis has been undertaken for the balloting process for the new *Leases* Standard to begin; and
 - (4) **Dissents:** one member of the IASB proposed to dissent from the publication of the new *Leases* Standard, on the grounds that the Standard contains a lessor accounting model that essentially retains existing lessor accounting requirements and because of the exemption for leases of small assets.
6. Appendix A to this report summarises the discussions with the Trustees and the DPOC on this project since 2006, when the project was added to the IASB's agenda (which was before the DPOC was established).
7. The remainder of this paper highlights some of the key considerations to bring to the DPOC's attention as part of its lifecycle review.

Convergence

8. As noted above, the leases project has been conducted jointly with the FASB since its inception in 2006. As reported previously to the DPOC, the two Boards have reached converged decisions on the majority of topics on the project, including – most importantly – on the requirement for a lessee to recognise assets and liabilities for its leases (other than short-term leases and, for the IASB, leases of small assets such as laptops and office furniture). But as the DPOC is also aware, the two Boards have reached different decisions on a number of issues, most notably on the lessee accounting approach for existing operating leases. Paragraphs 18-25 of AP 3C(i) summarise the convergence considerations and the feedback received from stakeholders on them, which on balance has emphasised that while convergence is important, the quality of the final Standard is even more important. As AP 3C(i) makes clear, given this feedback, the IASB has reached different decisions from the FASB only after careful evaluation of the implications of reaching those different decisions and when, in its view, those decisions represent a higher-quality solution.

Controversy

9. The proposals on leases have always generated controversy and, among some stakeholders, continue to do so. As the table at Appendix A shows, over the years the project has generated some correspondence from industry groups expressing concerns about the due process on the project (notably Leaseurope in 2009, global leasing associations in 2011; a number of hotel groups in late 2011). In these cases, the DPOC has discussed the concerns with the IASB and responded to make clear that the IASB reports regularly to the DPOC on how it is complying with the due process requirements throughout the lifecycle of a project. The fact that the IASB went through three formal rounds of public consultation (including 2 EDs), as well as two sets of public roundtable meetings and extensive outreach, is evidence of the importance attached by the IASB and FASB to due process.

10. Part of the controversy on the project is linked to the significance of the change in reported amounts for some entities—that change will add significant assets and liabilities to the balance sheets of those entities, and will also result in changes to the income statement and cash flow statement. Importantly, the IASB has had strong support from the investor community for the changes proposed to lessee accounting. For example, we note that the Capital Markets Advisory Committee (CMAC) took the unprecedented step of submitting a letter of recommendation to the IASB in October 2013 on the leases project—the CMAC generally does not provide written comment letters to the IASB. That letter stated that ‘The unanimous consensus among the CMAC members present is that...the alternative of making no changes to the current standards is not acceptable...There already is widespread consensus among users (and preparers) that operating leases give rise to assets and liabilities...The unanimous view at our CMAC meeting on 17 October 2013 was that a ‘disclosure-only’ solution would be a sub-optimal solution for Lessee accounting, since it would not materially reduce costs for preparers and would fail to deliver the required information for users in a decision-useful fashion.’

Feedback on deliberations

11. The DPOC has emphasised the importance to the IASB (a) of the need to avoid being left exposed to claims that it has not followed due process and (b) that it takes steps to ensure that it discloses publicly the rationale used to reach tentative decisions and conclusions, with special attention to issues that received substantial debate in the exposure process, including outside the comment letter consultation in response to the DP and the 2 EDs.

12. DPOC members will recall that this became a live issue last year, following the comments made about the leases project by the Chairman of the UK Financial Reporting Council (FRC), Sir Win Bischoff, in his presentation to the Trustees at their meeting in July 2014. The FRC raised concerns that stakeholder views are not always given due weight and expressed a view that technical purism and an anti-avoidance/compliance-driven mindset

prevails, citing the leases project to be an example of where this is the case. Although the FRC acknowledged that the IASB has taken steps to improve communication with stakeholders, it noted that there are still some areas that require attention. In particular the FRC suggested that stakeholders need a better understanding of why their views/suggestions are not taken up by the IASB.

13. While not a formal due process complaint, the DPOC followed this up at its meeting in October 2014 (AP 3C for that meeting refers²). The paper for that meeting outlined the measures taken by the IASB to address the continuing concerns from some stakeholders about aspects of the proposals for the Standard, including those raised by the FRC.
14. In the light of the discussion at the October 2014 meeting³, the IASB committed to review its public disclosure of the rationale used to reach tentative decisions and conclusions, with special attention to issues that received substantial debate in the exposure process. At its February 2015 meeting, the DPOC received a report (AP 2D for that meeting refers⁴) setting out planned improvements being employed by the IASB to improve its public disclosure of the rationale used to reach its tentative decisions and conclusions.
15. In relation to the leases project, this has resulted in the publication of a number of documents as follows:
 - a. a Project Update *Leases* document in August 2014⁵ - setting out the most important tentative decisions reached by the IASB in the project during the first half of 2014 and explaining the basis for those decisions, including how the IASB considered the feedback received;
 - b. a Project Update *Leases: Definition of a Lease* document in February 2015⁶ - which outlines the redeliberations of the two Boards on the definition of a lease and the separation of lease and service components in a contract (which was one of the concerns raised by the FRC). The document explains why the two Boards have confirmed the general approach to defining a lease that was proposed in the 2013 ED (ie a definition based on control of the use of an identified asset). However, it makes clear that the Boards have also made a number of clarifications to the accompanying guidance to reduce the risk of inconsistent application. The document also discusses alternative approaches suggested by some stakeholders and the reasons that the Boards did not adopt those approaches; and

² AP 3C for the DPOC October 2014 meeting can be accessed at:

http://www.ifrs.org/Meetings/MeetingDocs/Trustees/2014/October/AP3C%20DPOC_Leases.pdf.

³ See Section 2 of the report of the October 2014 DPOC meeting at: <http://www.ifrs.org/DPOC/meetings/Documents/DPOC-report-October-2014.pdf>.

⁴ AP 2D for the DPOC February 2015 meeting can be accessed at:

http://www.ifrs.org/DPOC/meetings/Documents/2015/AP2D%20DPOC_ReportingProjects.pdf.

⁵ Available at: <http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Documents/Project-Update-Leases-August-2014.pdf>.

⁶ Available at: <http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Documents/Leases-Project-Update-February-2015.pdf>.

- c. a Project Update *Leases: Practical implications of the new Leases Standard* document in March 2015⁷ - which describes the IASB's lessee accounting model and compares it to the FASB's model, highlighting the similarities and differences between them. In response to requests from stakeholders, it also provides an overview of some of the possible effects of the forthcoming changes to lessee accounting, and of the work that the IASB has undertaken to assess those effects (which anticipate a number of aspects to be covered in the effects analysis to be published together with the new Standard, as referred to below).
16. These documents reveal the extent to which the IASB has been keen to disclose publicly the rationale used to reach tentative decisions and conclusions.
17. At the ASAF meeting on 26 March 2015, a number of ASAF members commented on the recent Project Updates on the definition of a lease and practical implications, noting that they are very useful. The FRC representative also commented, in particular, on the approach taken by the IASB on the project over the past year, noting that the way that the IASB has responded and dealt with issues raised has been 'admirable'.

Effects analysis

18. As the DPOC is aware, the IASB has to prepare an effects analysis to be approved by the IASB and presented as part of, or with, the Basis for Conclusions that will be published with the Standard. As noted in AP 3C(i) (paragraphs 45-47), a comprehensive effects analysis was presented in the Basis of Conclusions of the 2013 ED and this analysis will be updated and enhanced in the new *Leases* Standard.
19. The IASB anticipates publishing the effects analysis as a separate document (rather than as part of the Basis for Conclusions) at the same time as publishing the new *Leases* Standard. The IASB will approve the effects analysis as part of the balloting process for the new Standard. When preparing the effects analysis, the IASB will also consider the recommendations made by the Effects Analysis Consultative Group in its November 2014 report.

Re-exposure

20. Paragraphs 50-53 of AP 3C(i) set out the criteria for re-exposure from the *Due Process Handbook* and the staff's analysis and recommendation that the IASB should not re-expose the proposed leases Standard for a fourth round of public comment.
21. In reaching its decision to not re-expose, the IASB noted it had made changes to the proposals in the 2013 ED, but that those changes:

⁷ Available at: <http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Documents/Practical-implications-Leases-Standard-Project-Update-March-2015.pdf>. A copy was sent to all Trustees under cover of Jenny Cale's e-mail of 16 March 2015.

- a. have already been exposed for comment (eg the single lessee accounting model was proposed in the 2010 Exposure Draft);
 - b. are changes to retain existing accounting (eg the lessor accounting model); or
 - c. represent simplifications or clarifications to the guidance proposed in the 2013 ED in response to feedback received (eg the small asset recognition and measurement exemption).
22. The IASB also noted that the questions in the 2013 ED specifically asked for respondents' views on alternative approaches to lessee and lessor accounting, which facilitated receiving extensive feedback in these areas. Accordingly, the IASB decided that re-exposure was unnecessary because it would be unlikely to reveal any new information.

Question for the DPOC

23. Is the DPOC content to confirm that all necessary due process steps have been followed and that its review of due project on this project is now complete?

Appendix A

LEASES DUE PROCESS LIFE CYCLE REVIEW: REPORTING TO THE TRUSTEES AND THE DUE PROCESS OVERSIGHT COMMITTEE (DPOC)

Date	Trustees/DPOC	Paper
Jun 2006	Trustees	<i>IASB Chairman's Report to the Trustees and SAC June 2006</i> (Agenda Paper, AP 3A) reported that, at a joint meeting in April 2006, the IASB and the US Financial Accounting Standards Board (FASB) held a preliminary discussion on whether to add a project on leases to their agendas. Both boards were broadly supportive of the proposal. It was agreed that any such project should be undertaken jointly. The <i>Minutes</i> noted that the Trustees considered proposed additions to the IASB's agenda, including a project on leases, and expressed general support.
Oct 2006	Trustees	<i>IASB Chairman's Report to the Trustees</i> (AP 4A) noted that a leases project, to be conducted jointly with the FASB, had been added to the IASB's agenda (July 2006). Nominations for an international working group to advise on lease accounting issues were being sought. A joint Discussion Paper (DP) was anticipated for release in 2008. <i>IASB Due Process Summaries</i> (AP4B) included a section summarising progress to date on the leases project.
Jan 2007	Trustees	<i>IASB Due Process Summaries</i> (accompanying the <i>IASB Chairman's Report</i> at AP3) included a section summarising progress to date on the leases project.
Apr 2007	Trustees	<i>Report of the Chairman of the IASB</i> (AP 4A) noted that the boards had yet to discuss leases, but that the staff were working on papers to bring to the boards.
Jul 2007	Trustees	<i>Chairman's Report to Trustees June 2007</i> (AP 2) noted that the current project plan envisaged the publication of a DP (incorporating the views of both Boards) in Q2 2008.
Nov 2007	Trustees	<i>The IASB Work Plan – convergence with US GAAP</i> (AP 6A, Appendix A) reported the latest position on the leases project.
Mar 2008	Trustees	<i>Report of the Chairman of the IASB (draft of Chairman's report for Annual report)</i> (AP 4) included an update on the leases project. During 2007 the IASB considered the different rights and obligations that arose in simple leasing transactions, more complex leases were also considered. Meetings were held with industry representatives. Staff were developing a model for accounting for all types of lease under which the lessee recognised an asset representing the right to use the leased item for a period of the lease with a corresponding liability to pay rentals over the lease term.
Jul 2008	Trustees	<i>IASB Chairman's Report to the Trustees – June 2008</i> (AP 4A) noted that a DP on Leases was due later in the year.
Oct 2008	Trustees	<i>IASB Work Plan, October 2008</i> (AP 5B) noted that IASB and FASB planned to publish a joint DP in Q4 2008, with the aim to produce a new standard by mid-2011.
Jan 2009	Trustees	<i>IASB Work Plan Overview</i> (AP 5A) reported that a DP was due Q1 2009, presenting preliminary views on the main components of a

Date	Trustees/DPOC	Paper
		lessee accounting model.
Jan 2009	Trustees/DPOC	<p><i>Report on the Working Groups' Effectiveness</i> (Trustees AP 6A and DPOC AP 1) noted that responses from the Leases Working Group (LWG) were particularly negative and critical. Members complained of inactivity and poor communication. Felt that the group is too large and the IASB focus on geographical balance had excluded leading experts from the group.</p> <p>The <i>Minutes</i> reported the DPOC's recommendations and next steps.</p>
Apr 2009	Trustees with Monitoring Board (MB)	<p><i>Meeting the Public Accountability Challenge: 2008 Trustees Oversight Activities Report</i> (AP MB2B) noted that the findings of the DPOC <i>Report on the Working Groups' Effectiveness</i> had identified a few areas for possible improvement of the process. The results of the review would be jointly considered with the IASB so as to develop improvements, which would serve to enhance the IASB's due process procedures.</p> <p><i>Draft report of the IASB Chairman – 2008 annual report</i> (AP MB2D) reported that the joint DP was published in March 2009.</p>
Apr 2009	DPOC	<p><i>Review of Working Groups</i> (AP 4) outlined the DPOC's recommendations and the staff response to improve the effectiveness of Working Groups, including the LWG.</p>
Jun 2009	DPOC	<p>The <i>Minutes</i> reported a discussion on the due process complaint received from Leaseurope on 24 March 2009 that raised concerns about the following issues: 1) the IASB's decision to defer lessor accounting from the project, but include a chapter in the discussion 2) the belief that any new standard should address lessor accounting 3) disappointment that the IASB was not properly utilising the LWG. There was general agreement with the points raised in this letter, and the DPOC proposed that a holding response should be sent. The DPOC recommended that the Trustees discuss the IASB's decision on lessor accounting at the public session of its July meeting.</p>
Jul 2009	Trustees	<p><i>Chairman's report</i> (AP 5A) noted that comments on the DP were scheduled by 17 July 2009. Webcasts had been held in February, and three meetings with the LWG were planned over the next 18 months. An ED was scheduled for July 2010.</p> <p>The <i>Minutes</i> reported the Trustees' discussion of the concerns raised by Leaseurope and the proposed handling, together with how the effectiveness of the LWG might be improved.</p>
Jul 2009	DPOC	<p><i>Due Process Complaint from Leaseurope – 24 March 2009</i> (AP 6C) outlined the Leaseurope concerns, the DPOC's holding response of 19 June 2009 and the DPOC's recommendation noted above.</p>
Jul 2009	DPOC	<p><i>Update on the Working Group review</i> (AP 6E) – the DPOC made a number of recommendations following the working group review, which the IASB was implementing. Letters had been sent to members of the LWG who participated in the review, in order to bring them up-to-date and confirm the following main recommendations: 1) Improved use of meetings including better use of electronic communication; 2) Enhanced feedback; 3) Clarified objectives; and 4) Enhancements on composition.</p>
Oct 2009	Trustees	<p><i>Chairman's Report</i> (AP 4B(i)) noted that the DP had generated 295 comment letters (a final total of 302 was received eventually), with a</p>

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		<p>summary presented to the IASB in September. Feedback from respondents and September LWG meeting indicated that proposals should be developed for accounting for leases from the perspective of both lessor and lessee. The project plan and staffing would be revised accordingly.</p> <p>The <i>Minutes</i> reported the Chair of the IASB as saying that that he had attended a LWG meeting at which Leaseurope was present and they did not raise any concerns and they expressed satisfaction with the manner in which the standard on lessor accounting was being progressed.</p>
Oct 2009	DPOC	<p><i>Update on the correspondence with Leaseurope</i> (AP 8C). The Committee was reminded of matters to date and provided with copies of a letter dated 10 August sent to Leaseurope by the DPOC Chair; to date no response received. The letter confirmed that the concerns raised had been discussed by the Trustees, who had received a report from DPOC. The Trustees had received assurances from the IASB that further work would be carried out in conjunction with the LWG and appropriate public consultation. With particular reference to lessor accounting, industry and investors would be consulted. Another letter, also dated 10 August, was sent by the IASB Chair, who addressed the individual points of concern raised in the original letter.</p> <p>The <i>Minutes</i> reported the same as those for the Trustees' meeting.</p>
Jan 2010	Trustees	<p><i>Report of the IASB Chairman</i> (AP 4A) gave a progress update, noting that an ED was planned for end of Q2 2010.</p>
Mar 2010	Trustees	<p><i>IASB and FASB Commitment to Memorandum of Understanding: Quarterly Progress Report: March 31 2010</i> (AP 2B) reported updated milestone target: Q2 2010 IASB and FASB to publish joint ED proposing the accounting for leases from the perspective of the lessor and lessee with 120 day comment period. Q2 2011 IASB and FASB aimed to publish final standards on accounting for leases.</p> <p><i>The Technical Agenda</i> General update (AP 2C(i)) reiterated the target to publish an ED at end Q2 2010.</p>
Mar 2010	DPOC	<p>The <i>Minutes</i> recorded that the Trustees wished to emphasise that completion of convergence projects by June 2011, as set out in the MoU with the FASB, was essential. IASB Chair felt that differences of approach might cause delays; this related to three key projects including leases. It was agreed that Trustees should receive further reports highlighting progress and any delays. Acknowledged that the Leasing project is likely to lead to further complaints.</p>
Apr 2010	Trustees with MB	<p><i>The Technical Agenda</i> (AP MB 4B(i)) reported the high level feedback on the DP and that the two boards planned to issue an ED Q2 2010.</p>
Jul 2010	Trustees	<p><i>Progress Report on Commitment to Convergence of Accounting Standards and a Single Set of High quality Global accounting Standards</i> (AP 5) noted that expected ED had now been moved to Q3 2010. Milestone targets: Q3 2010 ED; Q4 2010 Public round table meetings; Q2 2011 IASB and FASB to issue improved and converged standard.</p>
Oct 2010	Trustees	<p><i>Report of the IASB Chairman</i> (AP 7A) reported that the ED had been published 17 August, comment period expiring 15 December. Round</p>

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		table meetings were planned for December and completion forecast for June 2011.
Feb 2011	Trustees	<i>Chairman's Quarterly Review</i> (AP 8A) reported 760 comment letters in response to the ED (a total of 786 was ultimately received), plus round table meetings and further outreach. Feedback indicated that the definition of a lease proposed in the ED was too wide, catching what were widely perceived to be service agreements. In January the IASB and FASB decided to limit discussion of lessor accounting to matters critical to both lessor and lessee. IASB and FASB to decide if lessor accounting required its own project.
Mar 2011	Trustees	<i>IASB Chairman's Report</i> (AP 7) reported consideration of major issues forecast to be finished by the end of April. Primary focus had been on ensuring the lease definition did not encompass service agreements (or be perceived to). Looking at feasibility of modifying the pattern of income and expense recognition for some leased assets. Field work already being undertaken. Lessor accounting to be considered over the next few weeks. <i>The Conclusions of the March 2011 Trustees' meeting</i> reported the IASB Chair as saying that on leases (and a number of other projects) "the boards had exceeded all mandatory and optional due process requirements in developing the new standards".
Mar 2011	DPOC	<i>Update on Enhanced Engagement</i> (AP 6C(i)): as per Chair's report to the Trustees. <i>The Summary of Conclusions of the DPOC</i> reported that the development of the remaining projects (including leases) had followed a transparent and rigorous due process, and that the IASB would only issue standards that were considered of high quality.
Apr 2011	Trustees with MB	<i>IASB Chairman's Update (March 2010)</i> (AP MB2A, Appendix i) and <i>IASB Chairman's Report, February 2011</i> (AP MB2A, Appendix iii) reported progress on the project.
Apr 2011	DPOC	<i>April 15 conference call: Cover note</i> (AP 2) IASB and FASB wished to extend the June deadline for all four MoU projects, including leases. A full revised timetable would be presented to the Trustees. The DPOC was given copies of 3 letters received by the IASB raising concerns about due process. The IMA and the leasing associations raised specific concerns about the IASB's approach to the remaining convergence projects. EFRAG raised more general concerns about Trustee oversight and due process. Staff felt that many of the specific concerns raised would be addressed by the revision of timetables. <i>Letter from Leasing Associations: Re-exposing comprehensive proposals for international lease accounting</i> (AP 2(ii)): the Committee was presented with copies of the letter signed by ELFA, AALA, Leaseurope, JLA, CLBA, CFLA, AELA, AFLA, and TRALA; in essence the letter called for the re-exposure of the Leases ED. Acknowledged that re-exposure would need to be conducted in accordance with the criteria set out in the Due Process Handbook, but felt that this too needed revision. <i>The Summary</i> of the meeting noted that the DPOC expressed its support for additional time being taken to conclude the remaining projects. The DPOC also discussed the correspondence received and

Date	Trustees/DPOC	Paper
		the need to include a formal mechanism for considering and replying to such correspondence as part of the enhanced protocol currently being developed.
Jun 2011	DPOC	<p><i>General Update</i> (AP 2) noted that IASB and FASB had recently made several decisions to simplify the leasing models, both in relation to lessors and lessees. However, different decisions had been reached regarding 'performance obligation' and this might make re-exposure necessary. The IASB would be asked to consider transition, effective dates and re-exposure in late June.</p> <p><i>AOB</i>. Committee was presented with copies of a letter signed by 29 associations primarily based in the US. The letter felt that there were issues with process and that more work and discussions were needed in order to form the standards. The signatories confirmed that they had written to G-20 leaders, and the IASB and FASB, at the end of 2010 in an effort to remove the 2011 deadline applied to the Lease project. The signatories then set out a bullet point list of what they felt were flaws in the proposals and issues with the process followed, including not taking into account the full spectrum of potential 'investors'. The signatories felt that failure to address these issues could impact on various businesses and industries.</p>
Jul 2011	Trustees with MB	<p><i>Report by David Tweedie, Immediate IASB Past Chairman: Quarterly Review</i> (AP MB2, Att 3). A summary of the history of the project was provided. The paper reiterated the difference in opinion between the IASB and FASB in terms of the lessor model. The decision on re-exposure would be made end-July.</p>
Jul 2011	Trustees	<p><i>Report by David Tweedie, Immediate IASB Past Chairman: Quarterly Review</i> (AP 8): as per the report to the Trustees and the MB.</p>
Jul 2011	DPOC	<p><i>Due Process Oversight Committee covered correspondence 2011: Summary of Content of Letters and Update: March – July 2011</i> (AP 2E). A summary was provided of due process complaint letters received to date and the subsequent responses</p> <p><i>Project Update</i> (AP 2F) referred to the sensitivity of this project and the interest in whether the boards intend to re-expose the proposals. The staff assessment was that the boards would have sufficient information to be able to assess re-exposure at the end of July.</p>
Oct 2011	Trustees	<p><i>Report of the IASB Chair</i> (AP 2) provided a summary of progress to date and planned project work. In July the IASB and FASB decided that they would re-expose the proposals. IASB and FASB expected to complete their deliberations in October; the revised ED would then be prepared. It was anticipated that the ED would be issued in February 2012. Outreach plans were still at preliminary stage.</p>
Oct 2011	DPOC	<p><i>Leases – US Chamber of Commerce</i> (AP 3E(ii)). The IASB and FASB had considered the letter sent by the Chamber of Commerce in May 2011, and IASB staff had been in direct contact with the Chamber and individual signatories. Given the level of contact the IASB had not provided a formal written response but instead made contact via email.</p> <p><i>Due Process Update</i> (AP 3F): as per report to the Trustees.</p>
Jan 2012	Trustees	<p><i>Report of the IASB Chair</i> (AP 2). Summary as per October Trustees and DPOC. ED expected to be issued Q2 2012.</p>

Date	Trustees/DPOC	Paper
Jan 2012	DPOC	<p><i>Due Process Update</i> (AP 3C). Deliberations were expected to have been completed in October 2011. However several IASB members asked for accounting for lessees in longer term leases to be re-visited, particularly in relation to tenanted property. Revised ED now not expected until Q2 2012. DPOC was asked to consider a letter sent in July by ACTEO and others, which raised a number of due process concerns about the project.</p> <p><i>Updating the IASB's procedures in response to the DPOC protocol: Leases example</i> (AP 3D(ii), Appendix 1). The Committee was presented with a report, compiled by IFRS staff, which gave a detailed account of how the IASB had met its due process responsibilities/requirements. The report detailed the background to the project, development and publication of the DP, development and publication of the ED, development and publication of the revised ED, development and publication of the IFRS and post-development review. Details were also provided for IASB meetings and the Working Group.</p> <p><i>DPOC: Correspondence with ACCOR, NH Hotels, Rezidor and Melia International Hotels – draft reply for consideration</i> (AP 3E(iv)). The Committee was presented with a draft response to a letter sent by the listed signatories and dated 4 November 2011. The original letter raised particular concerns about the impact of the standard in terms of the recognition of leases. The signatories then set out steps they felt needed to be taken in order to 'contribute constructively to the achievement of a standard of high quality based on conceptual rigour and cost-effectiveness'.</p>
Apr 2012	Trustees	<p><i>Report of the IASB Chair</i> (AP 2). Summary of progress in preparing re-exposure draft. IASB was reconsidering the appropriate P&L profile for lessees in light of feedback already received prior to publishing the new ED. The LWG discussed the issue in January. In February the IASB and FASB received the input from LWG and asked staff to conduct further outreach in response. Staff to report back Q2 2012. Re-exposure document forecast for second half of 2012 with likely 120 day comment period.</p> <p>The <i>Minutes</i> of the meeting referred to the IASB Chair's concerns about the project.</p>
Apr 2012	DPOC	<p><i>Due Process Update</i> (AP 3G): as per report above to the Trustees.</p>
Jul 2012	Trustees and MB	<p><i>Report of the IASB Chair</i> (AP MB3): reported that deliberations by the two boards were now substantially complete. Target was to issue ED Q4 2012. Additional outreach would take place during comment period. Final Standard expected to be issued mid-2013.</p>
Jul 2012	Trustees	<p><i>Report of the IASB Chair</i> (AP 2) and <i>The Technical Agenda</i> (AP 2B): as per report above to the Trustees and the MB.</p> <p>The <i>Summary</i> of the meeting the IASB and FASB had discussed the feedback received during outreach meetings, which had revealed strong support from users for lessees to recognise leases on the balance sheet. It noted the Chair's view that high standards of due process had been followed.</p>
Jul 2012	DPOC	<p><i>Update on Technical Activities</i> (AP 4D): as per report above to the Trustees and the MB.</p>

Date	Trustees/DPOC	Paper
Oct 2012	Trustees	<i>Report of the IASB Chair (AP 2)</i> . Update on progress. No further joint discussions anticipated. During re-deliberations, project staff decided to significantly revise the proposals included in the original ED. The main areas of revision related to the lessor accounting model, the accounting for variable lease payments and renewal options, and the definition of a lease. In accordance with the Due Process Handbook stakeholder views had been sought on these changes, this resulted in re-exposure. ED scheduled to be issued Q1 2013, with additional outreach during the comment period.
Oct 2012	DPOC	E-mail to DPOC 5 October with copies of papers for the IASB's October meeting: AP 3G <i>Leases – Exposure Draft comment period and permission to begin the balloting process</i> , and AP 3H <i>Leases – Due Process</i> .
Oct 2012	DPOC	<i>Update on technical activities (AP 3B)</i> : as per report above to the Trustees.
Jan 2013	Trustees	<i>Technical Projects – Update (AP 2B)</i> . Summary of progress, reported that ED predicted for issue during Q1 2013 with 120 day comment period and additional outreach activity to be undertaken with particular reference to users of financial statements and entities that undertook lease activities. The <i>Summary</i> of the meeting noted that an ED would be issued in the first half of 2013 and the Chair of the IASB reported that welcome support for the leases project had been expressed by Eumedion (an organisation that represented the interests of 70 institutional investors).
Jan 2013	DPOC	<i>Update on Technical Activities (AP 3C(i))</i> : as per the report above to the Trustees.
Apr 2013	Trustees and MB	<i>Report of the IASB Chairman (AP MB2)</i> . Reported that re-exposure ED would be issued in first half of 2013 with additional outreach activities.
Apr 2013	Trustees	<i>Technical Projects – Update (AP 2A)</i> : as per the report above to the Trustees and the MB.
Apr 2013	DPOC	<i>Technical Projects – Update (AP 3A)</i> : as per the report above to the Trustees and the MB.
May 2013	DPOC	E-mail to DPOC 8 May covering a memo informing the Committee of the forthcoming issue of the revised ED.
Jul 2013	Trustees	<i>Report of the IASB Chair (AP 2)</i> . Referred to the issue of the ED in May 2013. The <i>Summary</i> noted that outreach on the proposals had already started, in particular with investors, most of who viewed leasing as financing and so supported the proposal to recognise lease assets or liabilities on the balance sheet. Investor views, however, were rather more mixed on the dual approach proposed in the revised ED to the recognition, measurement and presentation of expenses and cash flows arising from a lease, but the two boards knew that this was a difficult issue. The outreach with preparers, which would be more challenging, was also starting.
Jul 2013	DPOC	<i>Technical Projects – Update (AP 3B)</i> : as per the report above to the Trustees. Also noted that public round table meetings were planned for September and October 2013, after the end of the comment

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		period.
Oct 2013	Trustees	<p><i>Report of the IASB Chair (AP 2)</i> reported the extensive outreach with users of financial statements who, overall, expressed strong support for the view that leases created assets and liabilities and that the recognition of lease liabilities was an important and long-overdue change to financial reporting.</p> <p>The <i>Summary</i> noted the support from users, but also warned that there remained significant resistance to the proposals. The redeliberations on the project would commence shortly. The IASB would prepare an extensive effects analysis.</p>
Oct 2013	DPOC	<p><i>Technical Projects – Update (AP 3B)</i>: as per the report above to the Trustees. Also noted that the ASAF had discussed the ED at their meeting in September 2013.</p> <p>The <i>Report</i> of the meeting referred to the high-level response to the ED and outreach and that the view from the IASB was that the IASB and the FASB needed to stand strong in the face of significant resistance if the proposals were to be finalised. The DPOC noted that concerns had been raised in some quarters in the US that the IASB at least had taken firm positions and would not listen to arguments from those who held different views. It was noted that the redeliberations on the comments received both in comment letters and other outreach had yet to recommence. The DPOC also heard that views had been raised by some constituents that, while in principle recognising leases on the balance sheet was the right approach, it was the wrong time in the cycle to push this through. On this issue, the DPOC was informed that the standard would have an implementation period of possibly 3-4 years, so that they would come into effect in a different stage of the cycle.</p>
Jan 2014	Trustees and MB	<p><i>Report of the IASB Chairman (AP MB3)</i> referred to the extensive outreach activities had been undertaken during the comment period on the 2013 ED, focusing in particular on obtaining feedback from users of the financial statements and understanding the drivers of costs for preparers. It noted that the boards would start to discuss the proposed models and any possible scope simplifications in January 2014 with the aim of reaching decisions on the central topics in March 2014.</p> <p>The <i>Summary</i> referred to the praise for the boards’ efforts to respond to concerns regarding the 2010 ED, but that there remained considerable concern about the cost and complexity of the proposals in the second ED issued in 2013. A theme of the redeliberations would be to decide on the appropriate cost-benefit balance of the proposals, as well as considering an appropriate implementation date.</p>
Jan 2014	DPOC	<p><i>Technical Projects – Update (AP 3B)</i>: as per the report above to the Trustees and the MB. The AP also noted the high response rate to the ED (640 comment letters).</p> <p>The <i>Report</i> noted the summary of messages from the feedback. It also reported that the DPOC asked whether the IASB and the FASB proposals would remain converged. The IASB representatives noted that the position would be clearer following the discussions at the</p>

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		<p>March 2014 joint meeting, but that the risk of divergence could not be ruled out. It was noted that there remained considerable resistance to the proposals, which were the subject of intense pressure, in particular in the USA, but also in Europe as well. The timing of progress depended heavily on the outcome of the March 2014 joint meeting. If the decisions at that meeting were clear, then redeliberations could be substantively completed by summer 2014, with an IFRS being issued in early 2015.</p>
Apr 2014	Trustees	<p><i>Report of the IASB Chairman (AP 2)</i> highlighted the continuing consultation with the Advisory Council and major advisory groups to the IASB, plus a summary of the tentative decisions reached by the IASB and the FASB in March 2014.</p> <p>The <i>Summary</i> reported that the two boards had come to different tentative conclusions on the recognition and presentation of lease expenses in a lessee's income statement, with the IASB favouring a single model and the FASB a dual model. While achieving full convergence might be a challenge, the two boards had agreed at the March 2014 meeting that the project would continue on a joint basis.</p>
Apr 2014	DPOC	<p><i>Technical Projects – Update (AP 3B)</i>: as per the report above to the Trustees.</p> <p>The <i>Report</i> of the meeting noted the above as per the <i>Summary</i> to the Trustees and emphasised that the approaches of the two boards would be converged on the most important aspect of the project, which was to have assets and liabilities for all leases recognised on the balance sheet, even if there were differences relating to the income statement.</p>
Jul 2014	Trustees	<p><i>Report of the IASB Chairman (AP 2)</i> reported progress on the project and noted that the IASB and the FASB were committed to looking for improvements that would make the Standard less costly to implement and apply.</p> <p>The <i>Summary</i> noted that, While there was support from investors, the proposals remained controversial with much of the industry and concerns were still being raised. The IASB would continue the dialogue with constituents on those concerns and was planning to consider some of the more sensitive issues again with the ASAF at its September 2014 meeting.</p>
Jul 2014	DPOC	<p><i>Technical Projects – Update (AP 3B)</i>: as per the report above to the Trustees.</p> <p>The <i>Report</i> noted that the DPOC asked about the implications of the additional public consultation on leases that had been launched at the end of June 2014 by the European Financial Reporting Advisory Group (EFRAG) and the four major European national standard-setters, which included seeking constituents' views and their preference on the two alternative income statement approaches proposed by the IASB and the FASB. The IASB noted that it would have to look at the results of that survey, but also noted that other constituents had expressed a preference for the single lessee model.</p>
Oct 2014	Trustees	<p><i>Report of the IASB Chairman (AP 2)</i> reported that work on the project was continuing and that a project update had been published in</p>

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		August 2014 to update stakeholders.
Oct 2014	DPOC	<p><i>Feedback on Leases Due Process (AP 3C) and Leases: Project Update (AP 3C(i))</i> reported progress on the project. The emphasis was placed on how the IASB had responded to feedback on the 2013 ED and subsequent concerns that had been raised by stakeholders. This was in the light of the presentation by the Chair of the UK FRC to the Trustees at the July 2014 meeting raising concerns that stakeholder views were not always given due weight and that stakeholders needed better feedback as to why their views/suggestions were not taken up by the IASB.</p> <p>The <i>Report</i> highlighted the discussion that took place at the DPOC on the concerns and the reaction of the staff and the IASB. The technical staff's view was that the due process requirements had been fully adhered to and had been applied in an appropriate manner for such an important and controversial project. But, it was acknowledged that there was scope to improve communications by making additional efforts to communicate the basis for the IASB's tentative decisions in a publicly accessible way and to ensure that there was an understanding of the basis for such decisions. The DPOC acknowledged the efforts that had been made, but emphasised the importance that the IASB did not lay itself open to claims that due process had not been followed properly and took steps to ensure that it disclosed publicly the rationale used to reach tentative decisions and conclusions, with special attention to issues that received substantial debate in the exposure process, including outside the comment letter consultation.</p>
Jan 2015	Trustees with MB	<p><i>Report of the IASB Chairman (AP MBP2)</i> reported progress on the project.</p> <p>The <i>Summary</i> noted that the IASB and FASB had not reached totally converged decisions. The current expectation was that the two boards would complete their redeliberations later in the first quarter of 2015.</p>
Jan 2015	DPOC	<p><i>Technical Projects – Update (AP 2B)</i>: as per the report above to the Trustees.</p> <p><i>Reporting on projects (AP 2D)</i> provided an overview of planned improvements that the IASB would employ to improve its public disclosure of the rationale used to reach its tentative decisions and conclusions, which had arisen from concerns raised in relation to the leases project.</p> <p>The <i>Report</i> noted the progress on the project and noted that the staff were developing a feedback document to explain the Boards' conclusions and rationale about the definition of a lease, which would complement the Leases Update that was published in August 2014. This was in line with the improvements discussed on reporting on projects, on which the DPOC agreed with the IASB's proposals.</p>
Mar 2015	DPOC	E-mail to DPOC 9 March with a copy of IASB AP 3A for the IASB's March meeting <i>Leases - Due process, re-exposure and permission to draft</i> .