

AGENDA PAPER

London

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Agenda paper 2

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Introduction

1. I am pleased to provide a report on developments since our last meeting in April 2015.

Technical work plan overview

2. The IASB continues to work intensively on finalising two major projects: Leases and Insurance Contracts.
3. With respect to Leases, which is a joint project with the US Financial Accounting Standards Board (FASB), the two Boards have now finalised the redeliberations. As reported in April, the IASB has instructed the staff to proceed to drafting and balloting.
4. The IASB will decide upon the effective date at a future meeting when the drafting of the new Leases Standard is close to being ready for balloting. We expect to issue the Standard in Q4 2015.
5. With respect to Insurance Contracts, the IASB has continued to engage extensively with interested parties. The IASB has largely concluded its tentative decisions relating to non-participating insurance contracts.
6. The IASB continues to consider the accounting model for contracts with participating features. As a consequence of the complexity of the issues relating to such contracts, the IASB has decided to extend its original timetable to allow it to consider the issues in detail, and to engage further with interested parties. As a result, the IASB will continue deliberations during 2015. It does not expect to issue the Standard before the end of 2015.

7. The IASB's decision to extend its original timetable for the Insurance Contracts standard means that the mandatory effective date of the new Insurance Contracts Standard will be after 1 January 2018, the mandatory effective date of IFRS 9 *Financial Instruments*. The IASB is aware that entities that issue insurance contracts will be significantly affected by both the new insurance contracts standard and IFRS 9. Accordingly, the IASB will give consideration to whether to provide further transition relief on initial application of the new Insurance Contracts Standard.
8. However, some European stakeholders have indicated that, though welcome, the additional transition relief would not address all their concerns and have requested that the effective date of IFRS 9 is deferred. Furthermore, the IASB has noted that the EFRAG's Draft Endorsement Advice both recommends IFRS 9 for endorsement without further delay and indicates EFRAG's preliminary view that the European Commission should ask the IASB to defer the effective date of IFRS for insurance businesses. We are monitoring the developments in Europe and are seeking further evidence and insights from the insurance industry that would enable us to fully evaluate the concerns raised, in particular the overall effect of IFRS 9 on financial reporting by insurers in combination with the existing IFRS 4 *Insurance Contracts*.
9. The IASB has finalised redeliberations on the *Conceptual Framework* and published the Exposure Draft on 28 May. The *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements. It identifies principles for the IASB to use when it develops and revises its Standards.
10. We are making good progress with our Disclosure Initiative. The Disclosure Initiative is a portfolio of projects being undertaken with the aim of improving the effectiveness of disclosures in financial reporting, including both implementation and research projects. The Principles of Disclosure project is the cornerstone of the Disclosure Initiative. The IASB aims to publish a Discussion Paper (DP) in quarter 4 of 2015, with the anticipation of completing the main discussions for the DP in quarter 2 of 2015 .
11. Finally, our Research programme is going well. The IASB has eight high-priority projects, three medium-priority projects and five longer-term projects. Although this may seem like a large pool of projects, we envisage that some of these projects will be completed quickly and will not lead to standard-setting activity. They also vary in size and complexity, which means that they will reach major milestones at different times.

Agenda Consultation

12. Work on the second IASB Agenda Consultation is progressing well. The IASB plans to publish the request for Views in Quarter 3 of 2015 with a view to completing the 2015 agenda consultation process in Quarter 1 of 2016.

Engagement strategy

13. 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).
14. In December 2014, we launched the first phase of the Investors in Financial Reporting programme. Created with the support of some of the world's leading asset managers and owners, the programme is designed to foster greater investor participation in the development of IFRS. The Investors in Financial Reporting programme has been developed to further extend investor participation in our outreach activities by specifically encouraging greater involvement from the buy-side community. We have continued to receive positive reactions to this initiative, with support from the investment community and other stakeholders. We shall review the programme at the end of the first year.

Use of IFRS globally

15. 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.
16. Currently, profiles are completed for 140 jurisdictions, including all of the G20 jurisdictions. Out of these, 116 jurisdictions require IFRS for all or most domestic publicly accountable entities
17. To complement the IFRS jurisdictions profiles, work has also continued on gathering data on the use of the IFRS Taxonomy.

Consistency in the application of IFRS globally

18. We have continued to take steps to ensure IFRS is applied and enforced on a globally consistent basis.
19. As reported at the last meeting, the Joint Transition Resource Group for Revenue Recognition has continued to be useful in aiding entities to make a smooth transition to the new Standard. We are now encouraging stakeholders to submit any outstanding implementation questions as soon as possible.
20. As a result of these and the Boards' discussions, the IASB has tentatively decided to propose, in a single Exposure Draft, limited clarifications to the application guidance, additional illustrative examples and an additional practical expedient on transition. The IASB plans to approve this Exposure Draft at its June 2015 meeting. The FASB has decided to propose more extensive clarifications to the guidance, but the outcome should be similar and our respective revenue Standards should remain substantially converged.
21. Both Boards are also currently proposing a one-year deferral of the effective date, from 2017 to 2018.
22. We have also held a meeting with the Transition Resource Group for Impairment of Financial Instruments in April 2015, and discussed 8 implementation issues. 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 *Financial Instruments*.

Education Initiative

23. Since our meeting in April, the Education Initiative (EI) has:
 - (a) worked on the following IFRS events:
 - i) facilitated regional IFRS teaching capacity building workshops in Glasgow, Jakarta, Jordan, Lima, London, Quito and Toronto;
 - ii) facilitated IFRS capacity building workshops for regulators in Jakarta and Jordan;
 - iii) facilitated 90 minute sessions on understanding IFRS in London—to 10 visiting IFRS teacher and student groups from France, Germany, India (by video conference), UK and US—and in Lima and Zurich to Peruvian and Swiss IFRS teachers and their students respectively;

- iv) organising major IFRS conferences to be held in Paris (in June), Hong Kong (in October) and Cartagena (in November) that focus mainly on building capacity to implement new Standards (especially IFRS 9 and IFRS 15) as well as the forthcoming Standards on Leases and Insurance Contracts and innovations in disclosure. Separate workshops on fair value and other cross-cutting measurement issues and investor-focussed updates are also being arranged around the conferences;
 - v) organising a conference dedicated to the impairment aspect of IFRS 9 in London (in December); and
 - vi) advance the planning and the IFRS Foundation co-branding of EY's IFRS Kongress in Berlin (in September) and PwC's Meet the Experts conference in London (in November).
- (b) Published the two-volume publication on the Standards dedicated to financial instruments. Both volumes have been heavily annotated by the EI with cross references between the relevant Standards and the non-mandatory material that accompanies them. This publication supports the implementation of IFRS 9.
- (c) Put into pre publication review extensive EI-developed material on consolidations and business combinations.
- (d) Finalising the 2015 Chief Executive's Briefing. This publication summarises, in non-technical language, the Standards that are required for annual reporting periods beginning on 1 January 2015.
24. Continued to explore how the EI can make a greater contribution to both the consistency with which IFRS is applied and to the self-generated income of the IFRS Foundation.