

# 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 June 2015.

## Technical work plan overview

2. The IASB continues to work intensively on finalising two major projects: Insurance Contracts and Leases.
3. 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.
4. After extensive consideration, the IASB is now reaching tentative conclusions on the accounting model for contracts with participating features. This was one of the most difficult and contentious aspects on which the IASB sought feedback, in particular, the treatment of the insurer's interest in the investment portfolio underlying the participating contracts.
5. The IASB has considered feedback on the proposals in the 2013 ED and tentatively decided to refine those proposals for some contracts with participating features that addresses their core concerns. The IASB is now considering follow-up consequences of that tentative decision. The staff is planning to finalise the redeliberations by the end of 2015.
6. 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 has given consideration to the need for further transition relief on initial application of the new Insurance Contracts Standard.

7. The IASB has, in particular, discussed the so-called “overlay approach”. The overlay approach would permit an entity to adjust profit or loss and other comprehensive income (OCI) to remove from profit or loss the effect of newly measuring financial assets at fair value through profit or loss (FVPL) in accordance with IFRS 9.
8. Furthermore, the IASB has also discussed the deferral of the effective date of IFRS 9 for any entity that issues contracts within the scope of IFRS 4, if that activity is predominant for the reporting entity, and would apply to all financial assets held by the reporting entity (i.e. at the ‘reporting entity level’).
9. Following intensive discussions in the September Board meeting, the IASB tentatively decided to proceed with an Exposure Draft (ED) to amend IFRS 4 in respect of the above approaches. The IASB plans to publish the ED in late 2015.
10. With respect to Leases, The IASB’s redeliberations were completed in March 2015 (subject to discussion about effective date and any sweep issues arising during drafting). The DPOC completed its life-cycle review in April 2015. The Standard is currently expected to be issued in Q4 of 2015.
11. 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.
12. 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 1 of 2016.
13. Finally, our Research programme is progressing satisfactorily despite 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**

14. The IASB issued its Request for Views 2015 Agenda Consultation on 11 August 2015. It is open for comment until 31 December 2015. This timing aligns with the Trustees' Structure and Effectiveness Review, which was issued in July and is open for comment until 30 November 2015.

### **Engagement strategy**

15. 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 (i.e. investors and analysts).
16. 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.
17. 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 year.

### **Use of IFRS globally**

18. 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.
19. 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

20. 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**

21. We have continued to take steps to ensure IFRS is applied and enforced on a globally consistent basis.
22. 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.
23. The IASB published in July an ED of targeted clarifications to three topics in IFRS 15 plus additional practical expedients for transition. In July 2015 the IASB confirmed the deferral of IFRS 15 by one year to 1 January 2018.
24. We have also held a second meeting with the Transition Resource Group for Impairment of Financial Instruments in September 2015, and discussed a number of 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*.