

## AGENDA PAPER

November 2017

**Due Process Oversight Committee**

Paper topic Reporting Protocol—annual report on general due process matters

CONTACT(S) Sam Sergeant [ssergeant@ifrs.org](mailto:ssergeant@ifrs.org) +44 (0)20 7246 0564

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 Due Process Oversight Committee (DPOC) on the following issues for the 13 months to 30 September 2017:
  - (a) the receipt of comment letters and their public availability (paragraphs 2–4);
  - (b) the availability of International Accounting Standards Board (the Board) papers to observers (paragraphs 5–8); and
  - (c) the Board’s dialogue with securities and other regulators (paragraphs 9–26).

**Comment Letters**

2. The *IFRS Foundation Due Process Handbook* (the ‘*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 13 months to 30 September 2017, the IFRS Foundation received 46 comment letters, the Board received 282 comment letters, and the

IFRS Interpretations Committee (the Committee) received 114 comment letters. Details of all the comment letters considered during the period are set out in Appendix A of this paper.

4. No comment letter submitter requested confidentiality; consequently, all letters have been posted on the IFRS Foundation's website.

### **Board papers made available to observers**

5. The Board 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 Board members available to observers.
6. 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.
7. In the 13 months to 30 September 2017, all Agenda Papers distributed to Board members (or Interpretations Committee members) for public meetings of the Board (or Interpretations Committee) were made available on our public website, unaltered. Furthermore, we are not aware of any cases in which a document discussed by the Board or the Interpretations Committee in a public meeting was withheld or had any material removed from observers.
8. The staff have reported to the DPOC throughout the year on the late posting of papers for Board meetings (defined in the *Due Process Handbook* as later than 5 working days in advance of meetings). Full details of these instances are listed

in an Appendix to the *Technical Activities: Key Issues and Update* report at each DPOC meeting.

## Securities and other regulators

9. The *Due Process Handbook* states:

### Securities and other regulators

- 3.54 The IASB is responsible for developing global financial reporting standards that are enforceable. The IASB is also responsible for the content of the IFRS Taxonomy that can support securities regulators in their work on facilitating digital access to general purpose financial reports.
- 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.

### *Securities regulators*

- 10. During the 13 months to 30 September 2017, we have maintained a dialogue with securities regulators. In particular, Board and staff members met:
  - (a) the International Organization of Securities Commissions (IOSCO) over two days in June 2017 (Berlin).
  - (b) the European Securities and Markets Authority (ESMA) in November 2016, subsequently attending the European Enforcers Coordination Sessions in March 2017.
- 11. The meetings with IOSCO and ESMA were undertaken in accordance with the respective Statement of Protocols that we have with these organisations. They included updates on particular technical projects, discussions around recently issued Standards and discussion of implementation issues identified by securities

- regulators. In addition, project technical staff and staff working on implementation issues discuss specific topics with the regulators' staff on an informal basis, as and when required. In December, some technical staff participated in a regulators' training seminar focusing on the major new Standards, organised by ESMA.
12. We also discussed with regulators how we might cooperate with them to improve the global consistency of electronic reporting. During this period, the IFRS Taxonomy team continued to have regular monthly calls with the US SEC and ESMA to discuss any topics that may arise from the use (or planned use) of the IFRS Taxonomy by these regulators. Staff also attended three ESMA workshops during this period at which preparers were asked to field test the taxonomy and the single electronic reporting format proposed by ESMA.
  13. IOSCO and ESMA are members of the IFRS Advisory Council and representatives from each attend each meeting. In addition, IOSCO representatives observe meetings of the Interpretations Committee.
  14. In September 2017 the Board appointed IOSCO as an observer of the Transition Resource Group for IFRS 17 *Insurance Contracts*, see paragraph 26.

#### ***Prudential regulators***

15. We maintain regular dialogue with prudential regulators. Our interaction with prudential regulators is at both a policy level and at a project level.
16. At the policy level, Hans Hoogervorst is a member of the Financial Stability Board (FSB) and attends these meetings. We provide the FSB with periodic updates on the progress of our projects, with particular focus on accounting for financial instruments and insurance contracts.
17. Also at policy level, we have continued to strengthen our relationship with the Basel Committee on Banking Supervision (BCBS). In September 2017, the BCBS and the IFRS Foundation signed a Memorandum of Understanding. The MOU formalises our mutual interaction and strengthens the existing relationship at the strategic and working level, focusing on the development of IFRS Standards, the interaction between IFRS Standards and the BCBS Framework and the manner in which they are applied in practice by financial institutions across the world.

18. At the Advisory Council meeting in October 2017, Toshio Tsuiki, Deputy Secretary General of the BCBS gave a presentation about the MOU between the BCBS and the IFRS Foundation and the importance of our interaction.
19. At a project level, Svein Andresen, Secretary General of the FSB, presented at our Advisory Council in April 2017 on his perspective on the importance of IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* for financial stability. In addition, the FSB published a statement in July 2017 welcoming IFRS 17; the statement stressed the importance of insurers starting the process to implement the Standard as soon as possible and highlighted the significance of proper application.
20. Also at a project level, we have regular dialogue with the Basel Accounting Expert Group (Basel AEG), which is a sub-committee of the BCBS. There were two bilateral meetings with the Basel AEG during the period (October 2016 and April 2017).
21. A representative of the Basel AEG is an observer on the Interpretations Committee.
22. Twice a year there is a forum meeting between representatives of the Board, the Basel AEG and the International Institute of Finance (a global banking body). This forum enables discussion on the interaction between IFRS Standards and the requirements of the prudential regulators. These forum meetings took place in December 2016 and May 2017.
23. In April 2017, Kumar Dasgupta (Technical Director) provided an update to members of the Basel Financial Stability Institute, at a regional seminar in Thailand, on the new expected credit loss provisioning framework in IFRS 9.
24. In addition to these international initiatives, we also have interaction with prudential regulators at a national and regional level.
25. In relation to insurance and interactions with regulators, we maintain regular dialogue with staff at the: Accounting and Auditing Working Group of International Association of Insurance Supervisors (IAIS), the European Insurance and Occupational Pensions Authority (EIOPA), and ESMA.

26. In addition, we have held discussions with regulators from Canada, Indonesia, United Kingdom and Eastern Europe. We have presented on IFRS 17 at an IAIS conference. We have appointed a member with observer status from the IAIS and a member with observer status from the IOSCO to the Transition Resource Group for IFRS 17 *Insurance Contracts*.

**Appendix A Comment letters received**

A1. In the 13 months to 30 September 2017, the project teams have considered comment letters in relation to the following projects:

<b>Project</b>	<b>Due Process Stage</b>	<b>No of Comment letters received</b>
<b>International Accounting Standards Board</b>		
<i>Annual Improvements to IFRSs 2015-2017 Cycle</i>	Exposure Draft	51
Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11)	Exposure Draft	80
<i>IFRS for SMEs Standard—Accounting for financial guarantees in parent’s separate financial statements (Section 12 Other Financial Instrument Issues, Issue 1)</i>	Draft SMEIG Q&A	11
IFRS Taxonomy 2016—Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> (Amendments to IFRS 4)	Proposed IFRS Taxonomy Update	0 (Plus 1 comment letter from ITCG) <sup>1</sup>
IFRS Taxonomy 2016—Common Practice (agriculture, leisure, franchises, retail and financial institutions)	Proposed IFRS Taxonomy Update	2
IFRS Taxonomy 2017—IFRS 17 <i>Insurance Contracts</i>	Proposed IFRS Taxonomy Update	0 (Plus 1 comment letter from ITCG)
Improvements to IFRS 8 <i>Operating Segments</i> (Proposed amendments to IFRS 8 and IAS 34)	Exposure Draft	76
Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)	Exposure Draft	60

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<sup>1</sup> IFRS Taxonomy Consultative Group

<b>Project</b>	<b>Due Process Stage</b>	<b>No of Comment letters received</b>
<b>Project</b>	<b>Due Process Stage</b>	<b>No of Comment letters received</b>
<b>IFRS Foundation</b>		
Trustees' Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution	Exposure Draft	46

- A2. In the 13 months to 30 September 2017, the Interpretations Committee also received 114 comment letters on 20 tentative agenda decisions. Comment letters were received on each tentative agenda decisions, the lowest number of comment letters received was 2, and the highest number received was 14.