

# AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

New York City

October 2019

Agenda ref 1D

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CONTACT

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## Annual Reporting Protocol

### Purpose

1. This paper considers various matters that the technical staff report to the DPOC annually:
  - (a) the receipt of comment letters and their public availability (paragraphs 5–9);
  - (b) the availability of papers to observers (paragraphs 10–12); and
  - (c) the Board’s dialogue with securities and other regulators (paragraphs 13–26).
2. This report is for the year ending 30 September 2019.
3. No formal action is required to be taken by the DPOC.

### Executive Summary

4. The technical staff confirm that:
  - (a) All comment letters received have been posted on the IFRS Foundation’s website.
  - (b) All agenda papers distributed to Board members (or Interpretations Committee members) for public meetings of the Board (or Interpretations Committee) were made available on the public website, unaltered. Furthermore, the staff 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.
  - (c) Regular dialogue has been maintained with securities regulators and prudential supervisors.

## Comment Letters

5. The *Due Process Handbook* states:

### 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.

6. In the year to 30 September 2019 the following comment letters were received:

	No. of comment letters
IFRS Foundation	53
Board	285
Interpretations Committee	290

7. Details of all the comment letters considered during the year are set out in Appendix A of this paper.
8. One comment letter submitter requested anonymity for reasons that were considered reasonable. Their identity was known to us but, as requested, their letter was posted to the IFRS Foundation's website attributed to an International Energy Group<sup>1</sup>. No comment letter submitter requested confidentiality; consequently, all letters have been posted on the IFRS Foundation's website.
9. As discussed at your June 2019 meeting<sup>2</sup>, 14 of the letters were from a commentator that uses an entity name but chose to remain entirely anonymous.

<sup>1</sup> The comment letter was in response to the Tentative Agenda Decision *Physical Settlement of Contracts to Buy or Sell a Non-financial Item (IFRS 9)*

<sup>2</sup> Paper 1C *Due Process issues around anonymous comment letters*

## Board papers made available to observers

10. The *Handbook* includes a section explaining the importance of making papers discussed by the Board members available to observers. The *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.
11. In the year to 30 September 2019, all agenda papers distributed to Board members (or Interpretations Committee members) for public meetings of the Board (or Interpretations Committee) were made available on the IFRS Foundation's 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.
12. The staff have reported to the DPOC throughout the year on the late posting of papers for Board meetings (defined in the *Handbook* as later than five working days in advance of meetings).

## Securities and other regulators

13. The *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*

14. During the year to 30 September 2019, 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 January 2019 (Madrid) and two days in May 2019 (Warsaw).
  - (b) the European Securities and Markets Authority (ESMA) in February 2019 and September 2019. We also attended the European Enforcers Coordination Sessions (EECS)<sup>3</sup> in December 2018 and July 2019.
15. 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, updates on the proposed amendments to the *Handbook*, 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 these and other regulators' staff on an informal basis, as and when required.
16. In March, staff participated in a two-day regional workshop for regulators organised by the Thailand SEC, with a focus on the new leases and revenue recognition Standards.
17. We continue to cooperate with regulators to improve the global consistency of electronic reporting. The IFRS Taxonomy team have regular calls with the US

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<sup>3</sup> EECS is a permanent ESMA working group of accounting enforcers, ensuring supervisory convergence related to the enforcement of financial information prepared in accordance with IFRS Standards.

SEC and ESMA to discuss any topics that may arise from the use (or planned use) of the IFRS Taxonomy by these regulators.

18. IOSCO is a member of the Advisory Council and two representatives attend each meeting. In addition, IOSCO representatives observe meetings of the Interpretations Committee and the Transition Resource Group (TRG) for IFRS 17 *Insurance Contracts*. IOSCO and ESMA are observers to the Management Commentary Consultative Group and ESMA is an observer to the Taxonomy Consultative Group. Representative from various national regulators are also members of the Advisory Council and other consultative groups.

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

19. We maintain regular dialogue with prudential regulators. Our interaction with prudential regulators is at both a policy level and at a project level.
20. At the policy level, Hans Hoogervorst is a member of the Financial Stability Board (FSB) and attended two meetings in the period as well as participating in a number of conference calls. We provide the FSB with periodic updates on the progress of our projects, with particular focus on accounting for insurance contracts.
21. At a project level, we have regular dialogue with the Basel Accounting Expert Group (Basel AEG), which is a sub-committee of the Basel Committee on Banking Supervision (BCBS), meeting them three times in the period.
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 November 2018 and May 2019.
23. A representative of the BCBS is an observer on the Interpretations Committee. The International Association of Insurance Supervisors (IAIS) and BCBS are members of the Advisory Council.
24. In addition to these international initiatives, we also interact with prudential regulators at a national and regional level, in the period discussing projects such as *IBOR Reform and its Effect on Financial Reporting*.

25. In relation to insurance and interactions with regulators, we maintain regular dialogue with staff at the Accounting and Auditing Working Group of IAIS, the European Insurance and Occupational Pensions Authority (EIOPA), and ESMA. An IAIS representative observed the fourth meeting of the TRG for IFRS 17 held in April 2019. In July 2019, we attended the policy implementation meeting on insurance accounting standards and prudential implications jointly organised by the Financial Stability Institute (FSI) of the Bank for International Settlement (BIS) and the International Monetary Fund (IMF) in Basel.
26. In addition, we have held discussions with insurance regulators at a national level including from Australia, Canada, China, Hong Kong and Mexico.

## Appendix A Comment letters received

- A1. In the 12 months to 30 September 2019, the project teams have considered comment letters in relation to the following projects:

Project	Due Process Stage	No.
<b>International Accounting Standards Board</b>		
IFRS Taxonomy 2018 - Common Practice (IFRS 13 Fair Value Measurement) (Sep 2018)	Proposed IFRS Taxonomy Update	2
IFRS Taxonomy 2018 - General Improvements (December 2018)	Proposed IFRS Taxonomy Update	2
Interest Rate Benchmark Reform (Proposed amendments to IFRS 9 and IAS 39) (May 2019)	Exposure Draft	84
Financial Instruments with Characteristics of Equity (June 2018)	Discussion Paper	129
Onerous Contracts - Cost of Fulfilling a Contract (Proposed amendments to IAS 37) (December 2018)	Exposure Draft	68
<b>IFRS Foundation</b>		
Proposed amendments to the Due Process Handbook	Exposure Draft	53

- A2. In the year to 30 September 2019, the Interpretations Committee also received 290 comment letters on 23 tentative agenda decisions. Comment letters were received on each tentative agenda decision; the lowest number of comment letters received was 6, and the highest number received was 31.