

# AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

Conference call      **October 2020**

**Agenda ref    1D**

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## Annual Reporting Protocol

### Purpose

1. This paper considers various matters on which 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 13–27).
2. This report is for the year ending 30 September 2020.
3. No formal action is required to be taken by the DPOC.

### Summary

4. The technical staff confirm that:
  - (a) All comment letters analysed have been posted on the IFRS Foundation website.
  - (b) All agenda papers distributed to Board or Interpretations Committee members for public meetings of the Board or the Interpretations Committee were made available on the IFRS Foundation website. Furthermore, there were no cases in which a document discussed by the Board or the 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**

- 3.67 Comment letters play a pivotal role in Board and Interpretations Committee deliberations because the letters provide considered and public responses to a formal consultation.
- 3.68 All comment letters received by the Board and the Interpretations Committee 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, if the letter potentially breached securities disclosure laws.

6. In the year to 30 September 2020 the following comment letters were received:

	<b>Number of comment letters</b>
Board	618
Interpretations Committee	135
SME Implementation Group	7

- 7. Details of all the comment letters considered during the year are set out in the Appendix to this paper.
- 8. One submitter of a comment letter requested that their letter not be publicly disclosed. Because we received no response to our requests for the reasons for the confidentiality, this letter was not considered in the analysis of comment letters and was not posted on the IFRS Foundation website. All other letters have been posted on the website.
- 9. In September we improved the functionality on the website for submitting comment letters. This was to address a recently identified problem relating to unsuccessful submissions of letters. The website specifies that comment letters must be submitted as a PDF file. However, since June 2017, if a stakeholder has tried to upload another type of file, they have not received a clear indication that their submission was unsuccessful. Therefore, it might not have been apparent to the stakeholder that their letter was not received unless they subsequently looked for it on the website. From a review of the available log files from June 2020, we have identified two instances in which stakeholders failed to submit comment letters via the website and we did not subsequently receive their letters via other means (eg email). There is a risk that similar other instances might have occurred between June 2017 and June 2020 of which we are unaware. However, the likelihood that more than a handful of letters have been affected in this way and would have affected the outcome of the Board’s deliberations is extremely low.

## Board papers made available to observers

10. The *Due Process Handbook* includes a section explaining the importance of making papers discussed by the Board members available to observers:
- 3.11 All material discussed by Board 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 Chair or Vice-Chair of the Board or the Executive 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 Board and the Interpretations Committee will be publicly available in their entirety.
  - 3.12 The technical staff is required to report to the Board and the DPOC at least annually on the extent to which material discussed by the Board 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 distributed less than five working days in advance and the main reasons for doing so.
11. In the year to 30 September 2020, all agenda papers distributed to Board or Interpretations Committee members for public meetings of the Board or the Interpretations Committee were made available on the IFRS Foundation website. Furthermore, there were no cases in which a document discussed by the Board or the 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 papers posted less than five working days in advance of meetings). All of the late papers related to time-sensitive projects: IFRS 16 *Leases* and covid-19 (April and May 2020); Amendments to IFRS 17 *Insurance Contracts* (May 2020); and IBOR Reform (June 2020).

## Securities and other regulators

13. The *Due Process Handbook* states:

### Securities and other regulators

- 3.55 The Board is responsible for developing high-quality, understandable and enforceable IFRS Standards that improve the transparency and integrity of financial statements. The Board is also responsible for an IFRS Taxonomy that can support securities regulators in facilitating digital access to general purpose financial reports.
- 3.56 To achieve this the Board maintains a dialogue with securities regulators, usually by establishing regular meetings. In addition, members of regulatory bodies are invited to act as observers to Interpretations Committee meetings.
- 3.57 Financial information prepared in accordance with IFRS Standards is used by other regulators, including prudential supervisors.

3.58 In that context the Board maintains an enhanced dialogue with such authorities, particularly through the Financial Stability Board and the Bank for International Settlements.

***Securities regulators***

14. During the year to 30 September 2020, we have maintained our regular dialogue with securities regulators.
15. Board and staff members met:
  - (a) the International Organization of Securities Commissions (IOSCO) Board in October 2019 (Madrid).
  - (b) IOSCO Committee on Issuer Accounting, Audit and Disclosure (Committee 1) over two days in February 2020 (Tokyo) and in May 2020 (via video conference).
  - (c) representatives from the European Securities and Markets Authority (ESMA) in April 2020. We also attended the European Enforcers Coordination Sessions (EECS)<sup>1</sup> in December 2019 and July 2020.
16. The meetings with IOSCO and ESMA were undertaken in accordance with the respective Statement of Protocols that we have with these organisations. They included discussion of application questions identified by securities regulators, discussion about particular technical projects as well as the proposed amendments to the *Handbook*. Standard-setting project technical staff and staff working on application questions also discussed specific topics with these and other regulators' staff on an informal basis, as and when required.
17. In addition, particularly during the early months of the covid-19 pandemic, we held a number of conference calls with representatives from IOSCO and ESMA (as well as some national regulators) to discuss on a timely basis the related emerging accounting questions, for example those relating to the application of the expected credit loss impairment model in IFRS 9 *Financial Instruments* and the application of IFRS 16 *Leases* to covid-19-related rent concessions (see also paragraph 25).
18. We continue to cooperate with regulators to improve the global consistency of electronic reporting. The IFRS Taxonomy team have regular 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.
19. IOSCO and ESMA are members of the Advisory Council and two representatives attend each meeting. In addition, IOSCO representatives are observers at 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

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<sup>1</sup> EECS is a permanent ESMA working group of accounting enforcers, ensuring supervisory convergence related to the enforcement of financial information prepared applying with IFRS Standards.

Consultative Group. Representatives from various national regulators are also members or observers of the Advisory Council and other consultative groups.

***Prudential regulators***

20. We maintain regular dialogue with prudential regulators. Our interaction with prudential regulators is at both a policy level and at a project level.
21. At the policy level, Hans Hoogervorst is a member of the Financial Stability Board (FSB) and attended the FSB Plenary meeting in November 2019. He has also participated in a number of FSB Steering Committee and FSB Plenary conference calls. We provide the FSB with periodic updates on the progress of our projects.
22. 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 during the period.
23. 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 October 2019 and May 2020.
24. 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.
25. In addition to these international initiatives, we also have interaction with prudential regulators at a national and regional level, in the period discussing projects such as *IBOR Reform and its Effect on Financial Reporting*. More specifically, since the onset of the covid-19 pandemic, we have been closely engaged with many prudential and securities regulators and others considering the effects of covid-19 on the application of IFRS 9 (this has included the Basel AEG, the European Central Bank, the UK Prudential Regulatory Authority, IOSCO and ESMA). Through active dialogue we were given the opportunity to comment on the messaging provided by these authorities about the application of the expected credit loss impairment model in IFRS 9 during the pandemic and to ensure that our educational materials were aligned with the materials produced by others. This has enabled us to support the consistent and robust application of IFRS 9 during the pandemic and reduced the risk of conflicting messages causing confusion.
26. 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.
27. In addition, we have held discussions with insurance regulators at a national level including from Australia, Canada, China and the UK.

## Appendix

### Comment letters received

A1. In the year to 30 September 2020, the project teams have considered comment letters in relation to the following projects:

Project	Due Process Stage	No. of letters
<b>International Accounting Standards Board</b>		
IFRS Taxonomy 2020—Proposed Update 1 Covid-19-Related Rent Concessions (Amendment to IFRS 16) PTU/2020/1	Proposed IFRS Taxonomy Update	1
Classification of Liabilities as Current or Non-current—Deferral of Effective Date (Proposed amendment to IAS 1) ED/2020/3	Exposure Draft	34
Interest Rate Benchmark Reform—Phase 2 (Proposed amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) ED/2020/1	Exposure Draft	81
Covid-19-Related Rent Concessions (Proposed amendment to IFRS 16) ED/2020/2	Exposure Draft	114
IFRS Taxonomy 2019—Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) PTU/2019/1	Proposed IFRS Taxonomy Update	2
Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2) ED/2019/6	Exposure Draft	89
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12) ED/2019/5	Exposure Draft	68
Reference to the Conceptual Framework (Proposed amendments to IFRS 3) ED/2019/3	Exposure Draft	47
Amendments to IFRS 17 ED/2019/4	Exposure Draft	123
Annual Improvements to IFRS Standards 2018-2020 ED/2019/2	Exposure Draft	59
<b>Interpretations Committee</b>		
Deferred Tax related to an Investment in a Subsidiary	Tentative Agenda Decision	11
Sale and Leaseback with Variable Payments	Tentative Agenda Decision	20
Multiple Tax Consequences of Recovering an Asset	Tentative Agenda Decision	9
Player Transfer Payments	Tentative Agenda Decision	18
Presenting Comparative Amounts when a Foreign Operation First becomes Hyperinflationary	Tentative Agenda Decision	12

Cumulative Exchange Differences arising before a Foreign Operation becomes Hyperinflationary	Tentative Agenda Decision	17
Translation of a Hyperinflationary Foreign Operation—Presenting Exchange Differences	Tentative Agenda Decision	16
Definition of a Lease—Shipping Contract	Tentative Agenda Decision	13
Training Costs to Fulfil a Contract	Tentative Agenda Decision	19
<b>SME Implementation Group</b>		
Application of the undue cost or effort exemption for investment property on transition to the IFRS for SMEs Standard (Section 35 Transition to the IFRS for SMEs, Issue 1) Draft SMEIG Q+A 35.1	Draft SMEIG Q&A	7