



IFRS[®]
Accounting

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Feedback Statement

IFRS[®] Accounting Standards

IFRS 20 Regulatory Assets and Regulatory Liabilities



Introduction

This Feedback Statement summarises matters stakeholders raised on the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (Exposure Draft) and the International Accounting Standards Board's (IASB) responses to that feedback.

The IASB issued IFRS 20 *Regulatory Assets and Regulatory Liabilities* in May 2026. IFRS 20 supersedes IFRS 14 *Regulatory Deferral Accounts*. IFRS 14 was an interim Standard that permitted first-time adopters of IFRS Accounting Standards to continue recognising regulatory deferral account balances if specified conditions were met.

IFRS 20 requires a company to provide information about the effect of differences in timing on its financial performance and financial position. Differences in timing arise if the compensation for regulatory goods or services supplied in one reporting period is included in determining the regulated rates charged to customers in another period.

The definitions of regulatory assets and regulatory liabilities in IFRS 20 are based on the principle that a company recognises the compensation for regulatory goods or services in its statement of financial performance in the same reporting period that the company supplies those regulatory goods or services.

The Project Summary published alongside the Standard gives an overview of its main requirements.

IFRS 20 was developed based on stakeholder feedback on the Exposure Draft, published in January 2021.

A six-month consultation period followed the publication of the Exposure Draft. During the consultation period, the IASB received 128 comment letters on its proposals and held 60 events with stakeholders from more than 10 jurisdictions around the world. Ten of these meetings were with users of financial statements, involving approximately 55 users.

Figures 1 and 2 show the comment letter respondents by stakeholder group and region.

From February 2021 to October 2025:

- the IASB discussed in IASB meetings 81 technical staff papers related to stakeholder feedback and issues identified in redeliberations;
- the technical staff consulted the IASB's advisory bodies in 17 meetings and held more than 200 meetings with stakeholders;
- the IASB completed two rounds of fieldwork in the form of surveys with 54 companies and received:¹
 - 48 completed survey responses about assessing the relationship between a company's regulatory capital base and related items (to obtain feedback on significant changes to the Exposure Draft proposals); and
 - 34 completed survey responses on the likely effects of IFRS 20.

¹ Some companies responded to more than one survey because they provided a response for each of their subsidiaries subject to various regulatory agreements.

Figure 1—Comment letter respondents by stakeholder group

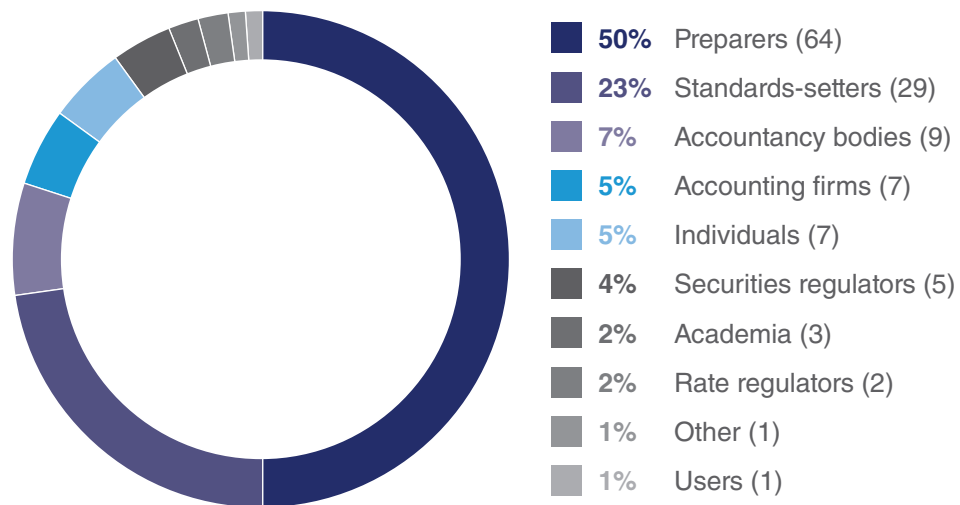
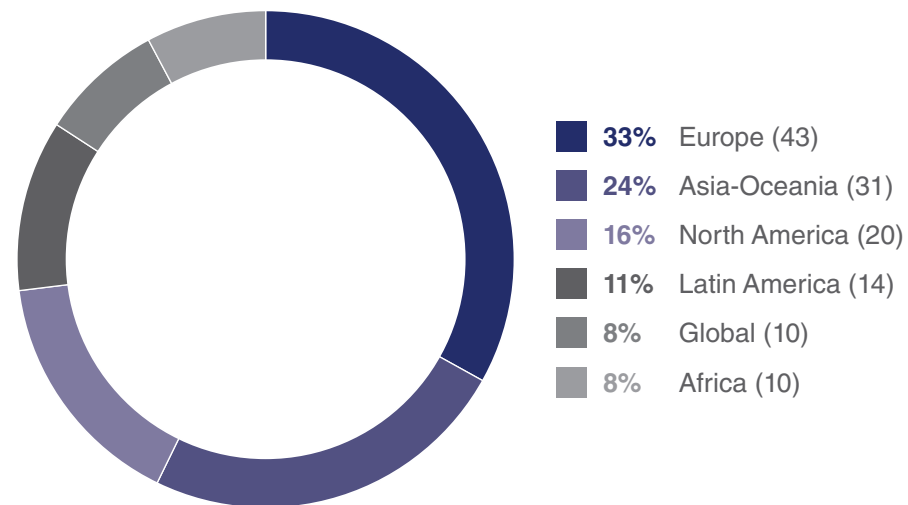


Figure 2—Comment letter respondents by region



Exposure Draft and feedback

The Exposure Draft proposals were generally well received. Most stakeholders agreed with the proposed objective of IFRS 20, which was to require companies to provide information about how regulatory income and regulatory expense affect their financial performance and how regulatory assets and regulatory liabilities affect their financial position. Most stakeholders also agreed with the proposals relating to:

- the definitions of ‘regulatory assets’ and ‘regulatory liabilities’. Stakeholders agreed that these definitions meet the definitions of ‘assets’ and ‘liabilities’ in the *Conceptual Framework for Financial Reporting (Conceptual Framework)*.
- the existence threshold of ‘more likely than not’ for recognising regulatory assets and regulatory liabilities.
- the use of a cash-flow-based measurement technique to measure regulatory assets and regulatory liabilities. The technique involves estimating uncertain future cash flows using the ‘most likely amount’ or the ‘expected value’ method.
- the use of the regulatory interest rate for a regulatory asset or regulatory liability as the discount rate for that asset or liability.

- the simplified approach for measuring a regulatory asset or regulatory liability that arises when a regulatory agreement provides compensation or makes a deduction for an allowable expense or chargeable income in determining the regulated rates charged to customers only when related cash is paid or received.

However, many stakeholders said that the proposals worked well for companies subject to cost-of-service regulation, but not for companies subject to incentive-based regulation.²

Stakeholders were most concerned about the proposals related to:

- the scope of the Standard, particularly the role of a regulator and how IFRS 20 would be applied with other IFRS Accounting Standards;
- total allowed compensation—in particular, accounting for:
 - regulatory assets or regulatory liabilities if the regulatory recovery period differs from the useful lives of the assets; and
 - regulatory returns on assets not yet available for use; and

- the use of a minimum interest rate if the regulatory interest rate for a regulatory asset is insufficient.

These concerns led to the most significant changes to the proposals, including the introduction of the ‘direct relationship’ concept (see pages 10–11).

The rest of this Feedback Statement outlines the more significant matters raised by stakeholders in comment letters and meetings, and the IASB’s responses to that feedback.

² Under cost-of-service regulation, the regulator allows the company to recover its costs and earn a fair return on the investment. Under incentive-based regulation, the regulator sets a fixed rate or price in advance for the service to be provided by the company. The company is therefore incentivised to reduce its costs to increase profit.

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1—Main matters raised by stakeholders

Proposal	Feedback	Response
1.1—Scope of the Standard		
Regulatory agreement and regulator		
<p>The Exposure Draft proposed that a company apply the Standard to all its regulatory assets and all its regulatory liabilities.</p> <p>The Exposure Draft proposed that a regulatory asset or regulatory liability can exist only if:</p> <ul style="list-style-type: none"> • a company is party to a regulatory agreement; • the regulatory agreement determines the regulated rate the company charges for the goods or services it supplies to customers; and • part of the total allowed compensation for goods or services supplied in one period is charged to customers through the regulated rates for goods or services supplied in another period (that is, differences in timing arise). <p>The Exposure Draft defined a ‘regulatory agreement’ as ‘a set of enforceable rights and obligations that determine a regulated rate to be applied in contracts with customers.’</p> <p>The Exposure Draft did not specify the existence of a particular type of body, such as a regulator, as a necessary condition for a regulatory asset or a regulatory liability to exist; nor did it specify the characteristics of that body.</p>	<p>Many stakeholders agreed with the proposed scope of the Standard.</p> <p>However, many stakeholders said the proposed scope might be broader than intended and that the requirements might be applied inconsistently. This perception was mainly caused by:</p> <ul style="list-style-type: none"> • a lack of clarity about the proposed definition of ‘regulatory agreement’; • a lack of clarity about whether a regulator is required to exist for a company to have a regulatory asset or regulatory liability; and • uncertainty about how to apply the Standard with other IFRS Accounting Standards (see ‘Applying the Standard with other IFRS Accounting Standards’ on page 8). 	<p>In response to this feedback, the IASB:</p> <ul style="list-style-type: none"> • clarified the proposals to assist with the application of the term ‘regulatory agreement’; • included the existence of a regulator as a necessary condition for a regulatory asset or regulatory liability to exist; and • clarified that self-regulation is outside the scope of IFRS 20.

Proposal	Feedback	Response
Applying the Standard with other IFRS Accounting Standards		
<p>The Exposure Draft specified only how to account for regulatory assets and regulatory liabilities. It proposed that a company apply other IFRS Accounting Standards to account for all other rights or obligations created by a regulatory agreement.</p>	<p>Many stakeholders requested clarification about applying the Standard in conjunction with other IFRS Accounting Standards, mainly:</p> <ul style="list-style-type: none"> • IFRS 9 <i>Financial Instruments</i>; • IFRS 17 <i>Insurance Contracts</i>; and • IFRIC 12 <i>Service Concession Arrangements</i>. 	<p>The IASB clarified that a company is required to apply other IFRS Accounting Standards to account for rights and obligations arising from a regulatory agreement before applying IFRS 20 to any remaining rights and obligations that meet the definition of a regulatory asset or a regulatory liability. Furthermore, the IASB:</p> <ul style="list-style-type: none"> • identified no examples of financial instruments that might give rise to regulatory assets or regulatory liabilities. Therefore, the IASB concluded that it would be unnecessary to exclude from the scope of IFRS 20 regulatory assets or regulatory liabilities that arise from financial instruments with an interest rate that is regulated. • excluded from the scope of IFRS 20 regulatory assets and regulatory liabilities that arise if premiums charged in insurance contracts within the scope of IFRS 17 are regulated. • clarified that a company first applies IFRIC 12 to account for rights and obligations arising from service concession arrangements, and then applies IFRS 20 to any remaining rights and obligations that meet the definition of a regulatory asset or a regulatory liability.

Proposal	Feedback	Response
1.2—Total allowed compensation		
Concept and components		
<p>The Exposure Draft defined ‘total allowed compensation’ to be the full amount of compensation for goods or services supplied that a regulatory agreement entitles a company to charge customers through the regulated rates, in either the period when the company supplies those goods or services or a different period.</p> <p>The Exposure Draft proposed that a company reflect the total allowed compensation as part of its reported financial performance for the period in which the goods or services are supplied.</p> <p>The Exposure Draft specified that total allowed compensation comprises:</p> <ul style="list-style-type: none"> • amounts that recover allowable expenses minus chargeable income; • target profit (including regulatory returns and performance incentives); and • regulatory interest income and regulatory interest expense. 	<p>Most stakeholders agreed with the proposed focus on total allowed compensation. However, some stakeholders said the proposed components of total allowed compensation do not fit well with the features of incentive-based schemes and they would need further guidance to apply the concept of total allowed compensation to these schemes.</p>	<p>The IASB confirmed the principle that a company recognises the total allowed compensation for regulatory goods or services supplied in the same reporting period that the company supplies those regulatory goods or services. IFRS 20 defines ‘regulatory goods or services’ to be goods or services supplied by a company to comply with a regulatory agreement. Regulatory goods and services include goods or services supplied to customers.</p> <p>Regulatory agreements vary by jurisdiction and industry in terms of the types of compensation or deductions included in the regulated rates and how such compensation or deductions are determined. IFRS 20 focuses on the most common types of compensation or deductions that regulatory agreements provide through regulated rates and includes guidance on when these types of compensation or deductions form part of or reduce total allowed compensation to enable a company to identify differences in timing.</p>

Proposal	Feedback	Response
Allowable expenses and chargeable income—Differences between regulatory recovery period and useful lives of assets		
<p>The Exposure Draft proposed that:</p> <ul style="list-style-type: none"> the amount that recovers an allowable expense forms part of total allowed compensation in the period when a company recognises the expense by applying IFRS Accounting Standards; and the amount of chargeable income reduces the total allowed compensation in the period when a company recognises the income by applying IFRS Accounting Standards. <p>The Exposure Draft assumed that the regulatory compensation (in the form of regulatory depreciation) and the allowable expense (accounting depreciation expense) are always linked. Consequently, the Exposure Draft proposed that a difference in timing would arise if the regulatory recovery period used to determine the regulatory depreciation differs from the useful lives of the assets used to determine the accounting depreciation expense. This difference in timing would arise because the regulatory depreciation would be included in determining the regulated rates charged in a different period from that in which the company would recognise the related depreciation expense.</p>	<p>Stakeholders had mixed views on the proposed guidance on amounts that recover allowable expenses and chargeable income. Although many stakeholders agreed with the proposals, many others—in particular, those representing companies subject to incentive-based schemes—disagreed with the proposals for accounting for regulatory assets and regulatory liabilities arising from differences between the regulatory recovery period and the useful lives of the assets. Stakeholders said a company's regulatory capital base might consist of assets that would be difficult to reconcile with its items of property, plant and equipment accounted for by applying IAS 16 <i>Property, Plant and Equipment</i>. Furthermore, regulatory depreciation of the regulatory capital base might not provide compensation for the accounting depreciation expense.</p> <p>Stakeholders said that, in such circumstances, the regulatory assets and regulatory liabilities that arise from regulatory depreciation of the regulatory capital base would:</p> <ul style="list-style-type: none"> not reflect a company's rights and obligations arising from its regulatory agreement; not meet the proposed definitions of a regulatory asset or regulatory liability or the definitions of an asset or liability in the <i>Conceptual Framework</i>; and be costly to account for and provide little useful information. 	<p>To respond to concerns raised, the IASB considered the extent to which a company's regulatory capital base and related items (such as the company's depreciable and amortisable assets) could be linked. The IASB engaged with stakeholders from various jurisdictions and industries, including users and members of its Consultative Group for Rate Regulation (Consultative Group). The IASB concluded that regulatory capital bases could be categorised into two broad groups:</p> <ul style="list-style-type: none"> those that have a direct relationship with related items; and those that do not have a direct relationship with related items. <p>The IASB concluded that companies whose regulatory capital base has a direct relationship with related items will be able to track differences between their regulatory capital bases and the related items.</p> <p>If a company's regulatory capital base does not have a direct relationship with related items, a regulatory asset or regulatory liability might not exist, or any regulatory assets and regulatory liabilities that exist might be subject to significant measurement uncertainty. Accounting for such a regulatory asset or regulatory liability would be likely to be costly, subjective or even impracticable. For these reasons, recognition of such regulatory assets and regulatory liabilities would not provide useful information about the compensation to which a company is entitled for a period.</p> <p style="text-align: right;"><i>continued ...</i></p>

Proposal	Feedback	Response
	<p>During its redeliberations on the Exposure Draft, the IASB carried out further outreach with users of financial statements. These users—mainly rating agencies and buy-side investors—said that, for companies subject to incentive-based schemes, the accounting for regulatory assets and regulatory liabilities arising from regulatory depreciation of the regulatory capital base would:</p> <ul style="list-style-type: none"> • make understanding financial performance more difficult; and • not result in useful information. 	<p>Therefore, IFRS 20 requires a company to recognise regulatory assets and regulatory liabilities arising from regulatory depreciation of the regulatory capital base only if there is a direct relationship between the company's regulatory capital base and related items (the 'direct relationship' concept).</p> <p>To help the IASB ensure the concept could be operationalised, the staff developed a survey to gather input from preparers (see page 2). Considering the information that accompanied the survey, most respondents reported that they were able to determine whether their regulatory capital base had, or did not have, a direct relationship with related items.</p> <p>The IASB acknowledged that accounting outcomes would vary depending on the relationship between a company's regulatory capital base and related items. However, in the IASB's view, those accounting outcomes would reflect differences between the terms of the regulatory agreements and between the methodologies used by regulators to determine the regulatory capital base and regulatory depreciation.</p> <p>IFRS 20 and the Illustrative Examples accompanying IFRS 20 provide guidance and examples to help a company determine whether a regulatory capital base has a direct relationship with related items.</p>

Proposal	Feedback	Response
Regulatory returns		
<p>The Exposure Draft proposed that regulatory returns applied to a regulatory capital base form part of total allowed compensation in the period in which a regulatory agreement entitles a company to add the returns in determining a regulated rate, except for regulatory returns on assets not yet available for use.</p> <p>The Exposure Draft proposed that regulatory returns on an asset not yet available for use form part of total allowed compensation once the asset is available for use.</p>	<p>Most stakeholders agreed with the proposals on regulatory returns, other than for regulatory returns on an asset not yet available for use.</p> <p>Most stakeholders disagreed with the proposals on regulatory returns on an asset not yet available for use. Stakeholders said those proposals would:</p> <ul style="list-style-type: none"> • not reflect the economic substance of regulatory agreements or result in useful information because regulatory returns compensate a company for fulfilling obligations specified by regulatory agreements during the construction phase of the assets; • be costly to apply because the proposals would require companies to separate assets under construction from the rest of the regulatory capital base and allocate returns at an individual asset level; and • be inconsistent with the proposed accounting treatment for construction-related performance incentives—that is, such incentives form part of total allowed compensation during the construction phase of an asset (see ‘Performance incentives’ on page 13). <p>Most users of financial statements who commented on those proposals said regulatory returns on an asset not yet available for use should be reflected in a company’s financial performance during the construction phase of the asset.</p>	<p>The IASB retained the proposals for regulatory returns, other than for regulatory returns on assets not yet available for use.</p> <p>The IASB concluded that regulatory returns on assets not yet available for use compensate a company for financing costs incurred in fulfilling obligations specified by the regulatory agreement to invest in assets—including construction of assets.</p> <p>Consequently, except in specified circumstances, IFRS 20 requires regulatory returns on assets not yet available for use to form part of the total allowed compensation for the period in which the regulatory agreement entitles a company to apply a rate of return to the regulatory capital base.³</p>

³ These specified circumstances are explained in paragraphs BC67–BC79 of the Basis for Conclusions on IFRS 20 *Regulatory Assets and Regulatory Liabilities*.

Proposal	Feedback	Response
Performance incentives		
<p>The Exposure Draft proposed that amounts relating to a performance incentive—including a construction-related performance incentive—form part of or reduce total allowed compensation in the period in which a company's performance gives rise to the incentive.</p> <p>In some cases, the performance criteria relate to a company's performance over several reporting periods. The Exposure Draft proposed that, in such cases, a company estimate the amount of the performance incentive and determine the portion of that estimated amount that relates to the reporting period.</p>	<p>Many stakeholders agreed with the proposals on performance incentives.</p> <p>Regarding performance incentives that relate to a company's performance over several reporting periods, a few stakeholders:</p> <ul style="list-style-type: none"> • raised concerns about the difficulty of measuring related regulatory assets or regulatory liabilities; and • questioned whether a company would have enforceable present rights or enforceable present obligations before the performance period is ended. 	<p>Regarding performance incentives that relate to a company's performance over several reporting periods, the IASB concluded that:</p> <ul style="list-style-type: none"> • companies will generally have the information necessary to make reasonable estimates of the future cash flows arising from performance incentives; and • even if performance incentives are subject to significant outcome or measurement uncertainty, recognition of regulatory assets or regulatory liabilities, accompanied by disclosures, would generally provide more useful information than alternative approaches. <p>IFRS 20 provides guidance to help a company assess whether it has an enforceable present right or an enforceable present obligation to receive or pay an amount that reflects performance completed to date before the performance period has ended. IFRS 20 requires a company to assess enforceability by considering what rights and obligations it would have if the regulator or another party were to terminate the regulatory agreement at the end of the reporting period for reasons other than the company's failure to perform as specified in the agreement.</p>

Proposal	Feedback	Response
Inflation adjustment		
<p>In some cases, regulatory agreements provide a company with a real regulatory return on a regulatory capital base that is adjusted by inflation. Illustrative Example 7C.2 accompanying the Exposure Draft illustrated that the right to add an inflation adjustment to the regulated rates to be charged to customers would not meet the definition of a regulatory asset. According to the Exposure Draft, that right is not a right to recover total allowed compensation for goods or services already supplied to customers.</p>	<p>A few stakeholders disagreed with the Illustrative Example. These stakeholders suggested the Standard treat an inflation adjustment to the regulatory capital base as a regulatory asset.</p> <p>During the IASB's redeliberations on the Exposure Draft, inflation rates in many jurisdictions were increasing and some stakeholders questioned whether compensation for inflation adjustments to a company's regulatory capital base could give rise to differences in timing. In response to these questions, the IASB gathered feedback from members of the Consultative Group and users—mainly credit and equity analysts covering utilities in Europe.</p> <p>Members of the Consultative Group had split views on whether inflation adjustments to a company's regulatory capital base would give rise to a regulatory asset. They also had mixed views on the usefulness and complexity of accounting for such a regulatory asset.</p> <p>In general, users said that accounting for the inflation adjustment to the regulatory capital base as a regulatory asset would provide useful information. However, a few of those users acknowledged the difficulties associated with accounting for such regulatory assets and stated that measurement uncertainty would reduce the usefulness of the resulting information.</p>	<p>IASB members held mixed views about whether inflation adjustments should be viewed as either:</p> <ul style="list-style-type: none"> • a difference in timing—that is, the inflation adjustment relates to inflation arising in the period that will be recovered through regulatory depreciation in future periods; or • a measurement difference—that is, the inflation adjustment increases the compensation for the items included in the regulatory capital base recovered through regulatory depreciation. <p>The IASB concluded that, whichever view is taken, accounting for a difference in timing or a measurement difference could be difficult or costly for some companies.</p> <p>Therefore, IFRS 20 requires a company to treat compensation provided by inflation adjustments to the regulatory capital base as forming part of the total allowed compensation for the reporting period in which the inflation is recovered through regulatory depreciation included in determining the regulated rates charged to customers.</p>

Proposal	Feedback	Response
1.3—Minimum interest rate		
Using a minimum interest rate as the discount rate		
<p>The Exposure Draft proposed that on initial recognition of a regulatory asset:</p> <ul style="list-style-type: none"> • a company assess whether there is any indication that the regulatory interest rate for the regulatory asset may be insufficient to compensate the company for the time value of money and for uncertainty in the amount and timing of the future cash flows arising from the regulatory asset; and • if there are indications that the regulatory interest rate may be insufficient, the company: <ul style="list-style-type: none"> ○ estimate the minimum interest rate sufficient to provide that compensation; and ○ use the higher of the regulatory interest rate and that minimum interest rate as the discount rate. <p>For a regulatory liability, the Exposure Draft proposed that a company use the regulatory interest rate as the discount rate in all circumstances.</p>	<p>Most stakeholders—including users of financial statements—did not agree with the minimum interest rate proposal for regulatory assets. They said the proposals would:</p> <ul style="list-style-type: none"> • lead to implementation costs because: <ul style="list-style-type: none"> ○ in some cases, the regulatory interest rate is revised frequently and therefore a company might be required to estimate a minimum interest rate frequently to assess whether the new regulatory interest rate is sufficient, and, if not, to use the minimum interest rate as the discount rate; and ○ the minimum interest rate determination might be difficult and require significant judgement; and • not provide useful information because: <ul style="list-style-type: none"> ○ the minimum interest rate does not reflect the regulatory interest that the company receives in accordance with the regulatory agreement; ○ the minimum interest rate determination can involve significant estimation uncertainty that might reduce comparability; ○ a company applying the minimum interest rate proposals would recognise a loss even if the regulatory agreement provides the company with an overall adequate compensation; and 	<p>In developing the minimum interest rate proposals, the IASB noted that they:</p> <ul style="list-style-type: none"> • avoid a company overstating the carrying amount of regulatory assets for which the regulatory agreement provides an insufficient regulatory interest rate. A company would provide useful information about such regulatory assets if the effects of discounting are material. • are consistent with the discounting principles in other IFRS Accounting Standards. <p>However, the IASB acknowledged the concerns raised by stakeholders about the costs and benefits of these proposals and considered alternative approaches, including exempting companies from applying the minimum interest rate requirements or from discounting in specified circumstances. Nevertheless, the IASB rejected those alternative approaches because they would have reduced the cost of applying the proposed minimum interest rate requirements for only a limited population of regulatory assets or a limited population of companies. They would also have added complexity to the requirements in IFRS 20.</p> <p>The IASB concluded that the costs of the proposed minimum interest rate requirements would outweigh the benefits. Therefore, the IASB did not include the proposed requirements in IFRS 20.</p> <p style="text-align: right;"><i>continued ...</i></p>

Proposal	Feedback	Response
	<ul style="list-style-type: none"> o the requirements would result in asymmetrical treatment of regulatory assets and regulatory liabilities, producing outcomes that could undermine the understandability and neutrality of the resulting information. 	<p>Instead, IFRS 20 requires a company to disclose information about when the company expects to recover regulatory assets or fulfil regulatory liabilities for which a regulatory agreement applies a regulatory interest rate of nil. The IASB concluded that those disclosures would help users of financial statements understand the effects of measuring such regulatory assets and regulatory liabilities at an undiscounted amount (see ‘Disclosures about financial position—Expected recovery and fulfilment, discount rate and risks and uncertainties’ on page 27).</p>
Exemptions from discounting		
<p>The Exposure Draft proposed that a company use the regulatory interest rate for a regulatory asset or regulatory liability as the discount rate for that regulatory asset or regulatory liability, unless the regulatory interest for a regulatory asset is insufficient. The Exposure Draft did not include any exemptions from discounting.</p>	<p>Most stakeholders agreed with the proposed requirement to use the regulatory interest rate for a regulatory asset or regulatory liability as the discount rate.</p> <p>Many stakeholders suggested that the IASB consider exemptions from discounting. For example, stakeholders suggested an exemption from discounting if the effect of discounting is not significant or if a regulatory asset or regulatory liability is recovered or fulfilled within a specified period, such as one year.</p>	<p>The IASB retained the proposal to discount the estimated future cash flows arising from a regulatory asset or regulatory liability using the regulatory interest rate.</p> <p>The IASB’s decision to remove the proposed minimum interest rate requirements (see ‘Using a minimum interest rate as the discount rate’ on page 15) simplifies the application of the discounting requirements. Therefore, the IASB concluded it is unnecessary to provide exemptions from discounting unless regulatory assets and regulatory liabilities have uneven interest rates. In such cases, companies are exempt from discounting if the period between the recognition of a regulatory asset or regulatory liability and the date when the interest rate specified in the regulatory agreements starts to apply is expected to be one year or less.</p>

2—Other matters raised by stakeholders

Proposal	Feedback	Response
2.1—Unit of account		
<p>The Exposure Draft proposed that a company account for the right or obligation arising from each individual difference in timing as a separate unit of account. However, if rights, obligations, or rights and obligations arising from the same regulatory agreement have similar expiry patterns and are subject to similar risks, the Exposure Draft proposed that a company may treat them as arising from the same individual difference in timing.</p>	<p>A few stakeholders expressed concerns that the unit of account proposal could be onerous to apply in practice because it would require more detailed information than is currently used to determine regulated rates.</p>	<p>The IASB clarified that the unit of account is the right or obligation arising from:</p> <ul style="list-style-type: none"> • a difference in timing; or • a group of differences in timing if the differences in timing included in that group are created by the same regulatory agreement, have similar expiry patterns and are subject to similar risks. <p>The IASB concluded that treating such a group of differences in timing as a single unit of account would provide information that is as relevant as the information provided by treating each individual difference in timing as a separate unit of account.</p> <p>IFRS 20 includes specific requirements for determining individual differences in timing arising from regulatory depreciation of a regulatory capital base that has a direct relationship with depreciable or amortisable assets (see 'Allowable expenses and chargeable income—Differences between regulatory recovery period and useful lives of assets' on page 10).</p>

Proposal	Feedback	Response
2.2—Recognition: Enforceability of rights and obligations		
<p>The Exposure Draft proposed that:</p> <ul style="list-style-type: none"> • a company recognise all its regulatory assets and all its regulatory liabilities that exist at the end of the reporting period; • a company determine whether a regulatory asset or regulatory liability exists using judgement, considering all relevant facts and circumstances; and • if it is uncertain whether a regulatory asset or a regulatory liability exists (for example, because of uncertainty about the enforceability of the present right or present obligation), a company recognise that regulatory asset or regulatory liability if it is more likely than not that it exists. 	<p>Most stakeholders agreed with the proposed recognition requirements.</p> <p>Some stakeholders asked how the assessment of the enforceability of rights and obligations interplays with the assessment of their existence. Many stakeholders said that assessing whether rights and obligations are enforceable could be challenging, and requested further guidance and illustrative examples.</p> <p>Some stakeholders thought the Exposure Draft required two enforceability assessments:</p> <ul style="list-style-type: none"> • whether a regulatory agreement is enforceable; and • whether the regulatory assets and regulatory liabilities are enforceable. 	<p>The IASB confirmed that a company recognises a regulatory asset or regulatory liability if it is more likely than not that it exists.</p> <p>The IASB clarified that uncertainty about the existence of a regulatory asset or regulatory liability might arise from uncertainty about the existence of a present right or present obligation, uncertainty about the enforceability of the present right or present obligation, or both. The IASB also clarified that the assessment of whether a right or obligation is enforceable is not dependent on certainty of its existence. For example, a company might not yet have received confirmation from the regulator about an amount to be recovered in determining future regulated rates—that is, existence of the right is uncertain. However, the company might have enough evidence to conclude that, if the right exists, it is enforceable.</p> <p>The IASB clarified that a company is not required to carry out two enforceability assessments because the existence of an enforceable regulatory agreement is a necessary, but not a sufficient, condition for a company to conclude specific present rights or present obligations are enforceable. Even if a regulatory agreement is enforceable, a company would still need to assess whether enforceable present rights and enforceable present obligations exist by considering the specific facts and circumstances surrounding those rights and obligations. Therefore, IFRS 20 requires only that a company assess whether enforceable present rights and enforceable present obligations exist. This single assessment focuses on whether the present rights or present obligations arising from differences in timing are enforceable.</p>

Proposal	Feedback	Response
2.3—Derecognition		
<p>The Exposure Draft did not include specific proposals for derecognition.</p>	<p>A few stakeholders asked the IASB to develop requirements for derecognising regulatory assets and regulatory liabilities. Those stakeholders also asked the IASB to clarify specific application issues.</p>	<p>The IASB added requirements for derecognising regulatory assets and regulatory liabilities.</p>
2.4—Measurement: Boundary of a regulatory agreement		
<p>The Exposure Draft proposed that the boundary of a regulatory agreement determines which estimated future cash flows a company includes in measuring a regulatory asset or regulatory liability.</p> <p>The Exposure Draft proposed that cash flows are within the boundary of a regulatory agreement only if:</p> <ul style="list-style-type: none"> • those cash flows would result from an enforceable present right or an enforceable present obligation that the company has at the end of the reporting period to add or deduct amounts in determining a future regulated rate; and • that addition or deduction would occur on or before the latest future date at which that right or obligation permits the addition or requires the deduction. 	<p>Some stakeholders commented that the regulatory recovery period or useful lives of assets is often longer than the period of a licence agreement. They stated that the investment in these assets is expected to be recovered in periods beyond the licence term. These stakeholders suggested that the IASB clarify the boundary of the regulatory agreement in these cases. They sought confirmation that the boundary of the regulatory agreement could be longer than the licence period.</p> <p>A few stakeholders requested clarification of how the boundary proposals would be applied to regulatory agreements with no explicit renewal terms, such as licences that are continually renewed (sometimes referred to as perpetual licences).</p>	<p>The IASB retained the concept of the boundary of a regulatory agreement to determine the estimated cash flows that a company is required to include in measuring its regulatory assets and regulatory liabilities. Cash flows within the boundary of a regulatory agreement are those for which a company has enforceable present rights or enforceable present obligations.</p> <p>The IASB clarified that cash flows for which a company has enforceable present rights or enforceable present obligations would be those for which a company has:</p> <ul style="list-style-type: none"> • an enforceable present right to recover or an enforceable present obligation to fulfil by adding amounts to or deducting amounts from regulated rates in future periods; or • an enforceable present right to receive or an enforceable present obligation to pay compensation on termination of the agreement (see ‘Compensation on termination’ on page 22). <p style="text-align: right;"><i>continued ...</i></p>

Proposal	Feedback	Response
<p>The Exposure Draft proposed that a company's present right to increase or present obligation to decrease the regulated rate at a future date was enforceable only if:</p> <ul style="list-style-type: none"> the regulatory agreement gives the company the present right or present obligation to supply goods or services at that future date; and no party apart from the company has a right to cancel the regulatory agreement before that date without arranging compensation for the company to recover its regulatory assets or the company has no right to cancel the regulatory agreement before that date without compensating another party that will fulfil the regulatory liability. 		<p>The IASB concluded that cash flows from amounts added or deducted in determining the regulated rates to be charged to customers in the future are within the boundary of the regulatory agreement if a company has:</p> <ul style="list-style-type: none"> an enforceable present right or enforceable present obligation to supply regulatory goods or services at the future date; and an enforceable present right to recover a regulatory asset, or an enforceable present obligation to fulfil a regulatory liability, through regulated rates to be charged to customers in the future. <p>The IASB clarified in IFRS 20 that:</p> <ul style="list-style-type: none"> rights to renew or terminate a regulatory agreement might be explicit or implicit; and a company might need to consider whether it has an enforceable present right or enforceable present obligation to supply regulatory goods or services for an indefinite period. IFRS 20 includes examples of when such circumstances might arise.

Proposal	Feedback	Response
Compensation on termination		
<p>The Exposure Draft proposed that cash flows arising from compensation on cancellation of a regulatory agreement be regarded as arising within the boundary of the regulatory agreement and thus be included in the measurement of the related regulatory assets or regulatory liabilities.</p>	<p>A few respondents requested clarification of how the boundary proposals would be applied to agreements that provide for compensation for unrecovered regulatory assets or require compensation for unfulfilled regulatory liabilities on termination, regardless of whether the cause of such termination is a cancellation.</p> <p>A few respondents said that their regulatory agreements do not have renewal or cancellation rights, or do not include explicit compensation mechanisms for non-renewal. These respondents asked how entitlements to, or valid expectations of, compensation for unrecovered long-term regulatory assets or unfulfilled long-term regulatory liabilities affect boundary assessments.</p>	<p>The IASB retained the proposals on compensation for cancellation of a regulatory agreement.</p> <p>The IASB clarified in IFRS 20 that:</p> <ul style="list-style-type: none"> the term ‘compensation on termination of a regulatory agreement’ covers cash flows arising from an enforceable present right to receive compensation relating to regulatory assets that have not yet been recovered or an enforceable present obligation to pay compensation relating to regulatory liabilities that have not yet been fulfilled; and such compensation could arise in a variety of situations (for example, cancellation of a regulatory agreement, non-renewal of a regulatory agreement or termination of a regulatory agreement by mutual consent). <p>The IASB also provided guidance to help a company assess whether it has an enforceable present right to receive or an enforceable present obligation to pay compensation on termination of a regulatory agreement for an amount comprising unrecovered regulatory assets and unfulfilled regulatory liabilities.</p>

Proposal	Feedback	Response
2.5—Presentation in the statement(s) of financial performance		
<p>The Exposure Draft proposed that:</p> <ul style="list-style-type: none"> • a company present all regulatory income minus all regulatory expense as a separate line item immediately below revenue (except for regulatory income or regulatory expense arising from remeasurement of regulatory assets or regulatory liabilities that arise from items affecting regulated rates only when related cash is paid or received); and • regulatory income include regulatory interest income and regulatory expense include regulatory interest expense. <p>If a regulatory asset or regulatory liability arises from items of expense or income affecting regulated rates only when related cash is paid or received (on a cash basis), the Exposure Draft proposed that a company present regulatory income or regulatory expense in other comprehensive income to the extent that the regulatory income or regulatory expense results from remeasuring the related liability or related asset through other comprehensive income.</p>	<p>Most stakeholders agreed with the presentation proposals for the statement(s) of financial performance.</p> <p>Some stakeholders suggested the IASB permit or require classification of all regulatory income minus all regulatory expense as revenue.</p> <p>A few stakeholders, including users of financial statements, said that the inclusion of regulatory income or regulatory expense in other comprehensive income should not be limited to items of expense or income that affect regulated rates on a cash basis. According to these stakeholders, presenting in profit or loss regulatory income or regulatory expense related to items of expense or income that are included in other comprehensive income would result in information that is less relevant and understandable than including that regulatory income or regulatory expense in other comprehensive income.</p>	<p>The IASB agreed that regulatory income and regulatory expense meet the definition of revenue in IFRS 15 <i>Revenue from Contracts with Customers</i>. Consequently, IFRS 20 requires a company to classify all regulatory income and all regulatory expense as revenue.</p> <p>IFRS 20 also requires a company to present all regulatory income minus all regulatory expense as a line item in the statement of profit or loss because it is sufficiently distinct from other sources of revenue.</p> <p>The IASB extended the requirement to include regulatory income and regulatory expense in other comprehensive income to regulatory income or regulatory expense relating to all items of expense or income that are included in other comprehensive income. This extension of the proposals would result in the statement of profit or loss providing more relevant information for users of financial statements.</p> <p>The IASB confirmed its proposals that regulatory income includes regulatory interest income and regulatory expense includes regulatory interest expense.</p>

Proposal	Feedback	Response
2.6—Disclosure: General requirements		
Overall disclosure objective		
<p>The Exposure Draft proposed an overall disclosure objective—to disclose information about regulatory income, regulatory expense, regulatory assets and regulatory liabilities.</p>	<p>Most stakeholders who commented agreed with the focus of the proposed overall disclosure objective.</p> <p>Some stakeholders suggested a broader overall objective of providing users of financial statements with information about the regulatory agreement and its effects on the financial statements.</p>	<p>The IASB retained the overall disclosure objective. The IASB decided against developing a broader overall disclosure objective because:</p> <ul style="list-style-type: none"> • users do not rely on financial statements to provide information about the nature of, and risks associated with, rate regulation even though that information is useful to them. IFRS Accounting Standards do not require a company to disclose such information about any other form of regulation. • an overall disclosure objective that focuses on information about a company’s regulatory income, regulatory expense, regulatory assets and regulatory liabilities is better aligned with the objective of IFRS 20.
Aggregation and disaggregation		
<p>The Exposure Draft proposed guidance to help companies to determine the appropriate level of aggregation or disaggregation of disclosures.</p>	<p>A few stakeholders raised concerns about, or asked for further guidance on, determining the appropriate level of aggregation and disaggregation for some disclosures that require significant judgements.</p>	<p>The IASB:</p> <ul style="list-style-type: none"> • retained the proposed guidance on aggregation and disaggregation; and • included examples of the characteristics a company could use as a basis to aggregate or disaggregate the information required by IFRS 20 in accordance with the requirements in IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>.

Proposal	Feedback	Response
2.7—Disclosure: Specific requirements		
Reconciliation		
<p>The Exposure Draft proposed that a company disclose in the notes a reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities. That requirement would enable users of financial statements to understand any changes in regulatory assets and regulatory liabilities that were not a consequence of regulatory income or regulatory expense.</p>	<p>Some stakeholders agreed with the proposal for companies to disclose a reconciliation.</p> <p>However, a few stakeholders suggested that instead of requiring a company to disclose a reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities, the IASB require a company to provide an explanation—qualitative and quantitative—of the significant changes in regulatory assets and regulatory liabilities that were not a consequence of regulatory income or regulatory expense.</p>	<p>In the IASB’s view, requiring a company to reconcile the opening and closing carrying amounts of regulatory assets and regulatory liabilities would be an effective way of providing information to help users to understand both:</p> <ul style="list-style-type: none"> • the relationship between the statement of financial position and the statement(s) of financial performance; and • changes in regulatory assets and regulatory liabilities that did not give rise to regulatory income or regulatory expense. <p>Therefore, the IASB retained the proposed reconciliation requirement.</p>

Proposal	Feedback	Response
Components of regulatory income or regulatory expense		
<p>The Exposure Draft proposed that a company disclose in the notes specific components of regulatory income or regulatory expense included in profit or loss, including regulatory interest income and regulatory interest expense.</p>	<p>Some stakeholders raised concerns that the proposals require information at a level of detail beyond that required by regulators and companies might incur undue costs to provide such information.</p> <p>However, the IASB received feedback from users of financial statements that:</p> <ul style="list-style-type: none"> • information about the components of regulatory income or regulatory expense—particularly, origination and recovery or fulfilment of regulatory assets and regulatory liabilities—is useful in their analyses; and • aggregation of some components of regulatory income or regulatory expense would not result in a significant loss of useful information as long as companies provide an explanation of aggregated amounts. 	<p>After considering the feedback from users, the IASB:</p> <ul style="list-style-type: none"> • retained a requirement to disclose components of regulatory income or regulatory expense in profit or loss; • permitted aggregated disclosure of some components; and • required that a company provide an explanation of the aggregated items. <p>The IASB also extended the proposals in the Exposure Draft to components of regulatory income or regulatory expense included in other comprehensive income.</p>

Proposal	Feedback	Response
Disclosures about financial position—Expected recovery and fulfilment, discount rate and risks and uncertainties		
<p>The Exposure Draft proposed that a company disclose in the notes:</p> <ul style="list-style-type: none"> quantitative information, using time bands, about when it expects to recover regulatory assets and fulfil regulatory liabilities; the discount rate or ranges of discount rates used in measuring regulatory assets and regulatory liabilities at the end of the reporting period; and an explanation of how risks and uncertainties affect the recovery of regulatory assets or fulfilment of regulatory liabilities. 	<p>A few stakeholders said disclosing quantitative information about the expected recovery or expected fulfilment would be costly and require significant judgement. They suggested a company be permitted to provide qualitative information instead.</p> <p>A few stakeholders said disclosure of the discount rate or ranges of discount rates might not provide useful information if companies operate under several regulatory agreements.</p> <p>However, users of financial statements said that information about both discount rates and risks and uncertainties is particularly useful because it allows them to better predict future cash flows.</p>	<p>The IASB acknowledged that, in some cases, disclosing quantitative information about expected recovery or expected fulfilment might be challenging. However, the IASB viewed this information as useful because it provides users of financial statements with insights into a company's future cash flows. Therefore, the IASB retained this proposal but required a company to determine the required information using reasonable and supportable assumptions about the timing of future cash flows that are consistent between periods.</p> <p>As a result of the removal of the minimum interest rate proposals (see '1.3—Minimum interest rate' on page 15), and to help users understand the effect of discounting using a discount rate of nil, IFRS 20 requires a company to disaggregate information about the expected recovery of regulatory assets or expected fulfilment of regulatory liabilities between:</p> <ul style="list-style-type: none"> regulatory assets and regulatory liabilities for which a regulatory agreement applies a regulatory interest rate that is not nil; and regulatory assets and regulatory liabilities for which a regulatory agreement applies a regulatory interest rate of nil. <p>In response to the feedback from users, the IASB retained both the proposals relating to disclosure of discount rates used in measuring regulatory assets and regulatory liabilities and the proposals to disclose risks and uncertainties affecting the recovery of regulatory assets and fulfilment of regulatory liabilities.</p>

Proposal	Feedback	Response
2.8—Reduced disclosures for eligible subsidiaries (IFRS 19)		
<p>The Exposure Draft <i>Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures</i> (IFRS 19 ‘catch-up’ Exposure Draft) proposed that subsidiaries applying IFRS 19 (eligible subsidiaries) and IFRS 20 apply all the disclosure requirements in IFRS 20.</p>	<p>Most stakeholders agreed with the proposal to require eligible subsidiaries to apply all the disclosure requirements in IFRS 20, particularly in the first years of applying IFRS 20. Some of these stakeholders suggested that the IASB consult further on reduced disclosures for eligible subsidiaries, for example, after companies have experience of applying IFRS 20.</p> <p>Some stakeholders expressed concerns that:</p> <ul style="list-style-type: none"> the proposal could be seen as setting a precedent whereby eligible subsidiaries will be required to provide all disclosures required by all new IFRS Accounting Standards; the rationale provided by the IASB for the benefits of delaying any proposed reduced disclosure requirements (that is, enabling users of financial statements to become familiar with the new model) would be equally valid for any new IFRS Accounting Standard; and the proposal not to develop reduced disclosures could result in significant implementation costs for eligible subsidiaries, some of which might be avoided if reductions were permitted on issuance of IFRS 20. 	<p>The IASB confirmed its proposal in the IFRS 19 ‘catch-up’ Exposure Draft to require an eligible subsidiary to apply all the disclosure requirements in IFRS 20.</p> <p>The IASB concluded that its decision not to develop reduced disclosure requirements does not set a precedent for future decisions on other IFRS Accounting Standards. Instead, the IASB’s decision relates to reasons specific to IFRS 20, which include:</p> <ul style="list-style-type: none"> the population of companies that would be applying IFRS 19 and IFRS 20 is likely to be small, so it is unlikely that reducing the disclosure requirements would benefit many companies; and the potential reductions in disclosure requirements if applying the principles for reducing disclosures in IFRS 19 could be limited and would not significantly reduce costs for companies.

Proposal	Feedback	Response
2.9—Effective date		
<p>The Exposure Draft proposed to allow 18–24 months between the issuance of the Standard and its mandatory effective date.</p>	<p>A few stakeholders agreed with the proposed effective date; however, most stakeholders asked for more time. Many of these stakeholders suggested a period of at least 24–36 months after the date of issuance.</p> <p>Most preparers from North America said they expected to apply IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and this Standard at the same time, which would involve additional complexity and effort.</p> <p>A few stakeholders suggested a longer transition period of 36–60 months to allow a company the flexibility of applying this Standard together with a new regulatory period.</p> <p>During the redeliberations, the IASB learned that some stakeholders wished to apply this Standard as soon as possible.</p>	<p>The IASB weighed the needs of users of financial statements for better information against the time required for companies to implement IFRS 20. The IASB also considered the requirements in the <i>Due Process Handbook</i>, including the need to give users and preparers enough time to understand a new standard and implement the necessary system changes.</p> <p>The IASB concluded that 1 January 2029 was an appropriate effective date.</p> <p>To accommodate stakeholders who wished to apply IFRS 20 as soon as possible, the IASB permitted early application.</p>

Proposal	Feedback	Response
2.10—Transition		
<p>The Exposure Draft proposed retrospective application of the requirements and a simplified approach for past business combinations.</p>	<p>Some stakeholders agreed with the proposals for retrospective application. However, most stakeholders did not support retrospective application. They said that retrospective application would be more difficult and costly for companies than the IASB had anticipated, mainly due to:</p> <ul style="list-style-type: none"> • insufficient information to apply some of the proposals in the Exposure Draft. • the effort required to collect information to make the judgements and estimates required, without using hindsight. In some cases, retrospective application would be impracticable. <p>Many stakeholders requested that the IASB consider modified retrospective application or some other form of relief from retrospective application.</p>	<p>In the IASB’s view, retrospective application provides the most useful information to users of financial statements because information is then comparable for all periods presented.</p> <p>However, the IASB agreed that retrospective application could be difficult and costly for preparers. Therefore, the IASB permitted companies to apply IFRS 20 either retrospectively or using a modified retrospective approach that includes some transition reliefs.</p> <p>In developing the transition reliefs for the modified retrospective approach (see paragraphs C9–C13 of IFRS 20), the IASB focused on requirements for which information might be difficult to obtain for retrospective application. The IASB also focused on a company’s ability to apply the requirements without using hindsight. In the IASB’s view, the transition reliefs would reduce costs for companies but not significantly reduce the usefulness of the resulting information.</p>

Proposal	Feedback	Response
Past business combinations		
<p>The Exposure Draft proposed to permit a company to elect a simpler approach than retrospective application for regulatory assets acquired or regulatory liabilities assumed in a past business combination. Using that approach, a company would recognise in goodwill the net amount of any adjustments related to regulatory assets acquired or regulatory liabilities assumed in a past business combination.</p>	<p>A few stakeholders suggested the IASB require a company to recognise the net amount of the adjustments for past business combinations in retained earnings instead of adjusting goodwill, because:</p> <ul style="list-style-type: none"> • adjusting retained earnings would be consistent with the requirements in other IFRS Accounting Standards and would avoid unintended consequences; and • adjusting equity is appropriate because there is no evidence that the adjustments arise from facts and circumstances that existed at the acquisition date. 	<p>The IASB agreed with the stakeholders that were in favour of requiring a company to recognise the net amount of the adjustments related to regulatory assets acquired or regulatory liabilities assumed in past business combinations in retained earnings because:</p> <ul style="list-style-type: none"> • some adjustments might be unrelated to the goodwill recognised at the acquisition date; and • the requirement would avoid the need for the company to differentiate between regulatory assets acquired and regulatory liabilities assumed in a past business combination, and those that arose in another way. <p>The IASB acknowledged that adjusting retained earnings instead of goodwill could result in amounts related to regulatory assets acquired, or amounts related to regulatory liabilities assumed, in past business combinations being accounted for twice—once as part of, or as a deduction from, the goodwill arising on the business combination and once as regulatory assets, or regulatory liabilities, upon transition to IFRS 20. However, in the IASB’s view, the costs of adjusting goodwill would outweigh the benefits.</p> <p>Furthermore, other IFRS Accounting Standards require a company to recognise the net adjustment on transition in retained earnings (or other component of equity), including adjustments related to assets acquired or liabilities assumed in past business combinations.</p>

Proposal	Feedback	Response
2.11—First-time adoption		
<p>The Exposure Draft proposed that first-time adopters apply the requirements retrospectively in accordance with IFRS 1.</p> <p>IFRS 1 contains both mandatory and optional exceptions to retrospective application.</p>	<p>Most stakeholders, including possible first-time adopters, disagreed with the proposal to require retrospective application.</p>	<p>The IASB saw no reason to give first-time adopters of IFRS Accounting Standards different transition approaches from other companies. Therefore, the IASB amended IFRS 1 to permit a first-time adopter to use a modified retrospective approach, including most of the transition reliefs available under that approach (see ‘2.10—Transition’ on page 30).</p> <p>The IASB confirmed that a first-time adopter would present comparative information in accordance with the requirements in IFRS 1.</p>

Important information

This document is not part of IFRS Standards and does not add to or otherwise change the requirements in the Standards. It was developed to aid stakeholders' understanding of our Standards. Views expressed in the document do not necessarily reflect those of the International Accounting Standards Board, the International Sustainability Standards Board or the IFRS Foundation. The document should not be relied upon as professional or investment advice.

Official pronouncements of the IASB are available in electronic format to subscribers of IFRS.org. All IFRS publications can be ordered from the IFRS Foundation website at www.ifrs.org.

Other relevant documents

IFRS 20 *Regulatory Assets and Regulatory Liabilities*—specifies requirements for recognition, measurement, presentation and disclosure of regulatory assets, regulatory liabilities, regulatory income and regulatory expense.

Basis for Conclusions on IFRS 20—summarises the IASB's consideration in developing the requirements in IFRS 20.

Illustrative Examples on IFRS 20—illustrates aspects of IFRS 20, without giving interpretative guidance.

Effects Analysis on IFRS 20—describes the likely benefits and costs of applying IFRS 20.

Project Summary on IFRS 20—provides an overview of the project to develop IFRS 20.

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