



EFRAG UPDATE

NOVEMBER 2019

The EFRAG Update is published on a monthly basis to inform constituents about due process publications, public technical discussions held and decisions taken during that month.

PUBLICATIONS

Final Comment Letter

On 14 November 2019, EFRAG published its final comment letter in response to the IASB's Exposure Draft ED/2019/5 *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Proposed amendments to IAS 12*.

For more details, please see the [EFRAG website](#).

Feedback Statement

On 8 November 2019, EFRAG published the feedback statement on its final comment letter to the IASB's ED2019/1 *Interest Rate Benchmark Reform (Proposed amendments to IFRS 9 and IAS 39)*.

For more details, please see the [EFRAG website](#).

EFRAG Conference IFRS & Regulation: Searching for Common Ground - Europe has a leading role to play in shaping future financial reporting standards

On 28 November 2019, high-level speakers discussed the dynamics between IFRS standards and regulation of financial reporting at the conference organised by the European Financial Reporting Advisory Group. Michel Prada, former IFRS Foundation Trustees Chairman and former Chairman of the French Regulator AMF and Steven Maijoor, Chair of European Securities and Markets Authority (ESMA) provided keynote speeches. The following topical areas were addressed by two panels of experts: Should IFRS be more rules-based to support enforcement? Should regulators issue implementation rules for principle-based IFRS?

For more details, please see the [EFRAG website](#).

OPEN CONSULTATIONS

Title and description	Closing date
EFRAG's Discussion Paper <i>Accounting for Pension Plans with an Asset-Return Promise</i>	15 November 2019

For more information please see [EFRAG's consultations page](#).



EFRAG BOARD

Meeting

The EFRAG Board met on [13 November 2019](#) and discussed the following topics:

IFRS 17 Insurance Contracts

The EFRAG Board received an update on the activities planned for the preparation of the draft endorsement advice. Developments at the IASB will be followed closely by EFRAG Board. The EFRAG Board will continue to review progresses of the planned activities.

IASB Agenda Consultation 2020

The EFRAG Board approved the recommendations of the EFRAG TEG and the EFRAG User Panel as input for the IASB staff in preparation of the future Request for information on the IASB agenda consultation. EFRAG Board members considered the IASB's first priority should be the finalisation of ongoing projects in particular the ones close to standard setting. The EFRAG Board noted that EFRAG research projects on Intangibles and Crypto Assets are addressing two topics that may in the future impact the IASB agenda.

EFRAG Research Project *Equity Instruments - Research on Measurement*

The EFRAG Board discussed a draft of the advice document. The concluding remarks will be further discussed in the EFRAG Board meeting in December. The feedback statement on the recent outreach will be issued jointly with EFRAG's advice to the EC.

EFRAG Research Activities

The EFRAG Board received an update on the EFRAG Research Activities.

Next meeting

The EFRAG Board will next meet on [18 December 2019](#).

November 2019 written procedures

The EFRAG Board approved the following document, using written procedures:

- EFRAG's Draft Comment Letter on IASB Exposure Draft ED/2019/5 *Deferred Tax Related to Asset and Liabilities Arising from a Single Transaction (Proposed amendments to IAS 12)*.

Expected December 2019 written procedures

The EFRAG Board is not expected to approve any documents using written procedures in December.



EFRAG TECHNICAL EXPERT GROUP (TEG)

Meeting

EFRAG TEG met on [5-6 November 2019](#) and discussed the following topics:

IASB's Exposure Draft ED/2019/5 *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Proposed amendments to IAS 12)*

EFRAG TEG discussed the final comment letter in response to the IASB's Exposure Draft and agreed to recommend it to the EFRAG Board subject to drafting improvements.

IASB Project *Rate Regulated Activities*

EFRAG TEG discussed the IASB's tentative decisions on the accounting model for regulatory assets and regulatory liabilities.

Members generally supported the scope definition of the model. However, it was mentioned that the definition of rate regulation may be broader than what initially anticipated. Additionally, some members questioned whether regulatory assets and regulatory liabilities met the definitions of assets and liabilities in the Conceptual Framework.

Some EFRAG TEG members supported the IASB's tentative decision on the recognition criteria of the accounting model. However, several concerns regarding the complexity of applying the recognition criteria were mentioned. Members also found confusing the IASB's tentative decision on the boundary of the regulatory agreement.

EFRAG TEG members generally supported the measurement principles of the model. They suggested that the model should provide guidance on accounting for changes in estimated future cash flows instead of reverting to the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

No decisions were taken at the meeting.

IASB Project *IBOR Reform and its Effects on Financial Reporting - Phase 2*

EFRAG TEG discussed the feedback statement on comment letters received on ED/2019/1 *Interest Rate Benchmark Reform (Proposed amendments to IFRS 9, IAS 39 and IFRS 7)* and received an update of the IASB's work on Phase 2 of the project. EFRAG TEG members agreed with the work plan as proposed by the EFRAG Secretariat and made comments on the feedback statement. The EC observer expressed concerns about the timing of the Phase 2 and stressed the need to speed up the process.

No decisions were taken at the meeting.

IASB Project *Primary Financial Statements*

EFRAG TEG received an update on the IASB's latest tentative decisions on *Primary Financial Statements* and a summary of the EFRAG Secretariat analysis on the presentation of financial statements based on a sample of European entities that report in accordance with IFRS



Standards, including an assessment of how the IASB tentative decisions would impact current practice on presentation of financial statements.

EFRAG TEG members generally agreed with the IASB's approach to update current requirements on presentation of financial statements through the issuance of a new IFRS Standard rather than amending IAS 1 *Presentation of Financial Statements*.

Nonetheless, EFRAG TEG members raised a number of questions on the IASB's tentative decisions. In particular, whether entities would continue to be able to present additional subtotals or line items related to non-recurring items on the face of the financial statements, on how the IASB's proposals would apply to entities that present expenses by function and the interactions of this project with IFRS taxonomy and European Single Electronic Format.

EFRAG TEG members also raised a number of concerns around the IASB tentative decisions on the presentation of gains and losses on derivatives in the statement of financial performance, particularly on having entities presenting such gains in the investing category under certain conditions.

No decisions were taken at the meeting.

IASB Research Project *Goodwill and Impairment*

EFRAG TEG discussed the IASB's tentative decisions on the IASB's Research project *Goodwill and Impairment*. EFRAG TEG expressed mixed views on the IASB's tentative decision regarding the indicator-only approach for goodwill impairment testing. However, many EFRAG TEG members supported an indicator approach but only if it was combined with amortisation. Members generally agreed with the IASB's tentative decision to simplify the value-in-use calculation for goodwill impairment test by permitting the inclusion of future restructurings and use post-tax inputs and post-tax discount rate.

No decisions were taken at the meeting.

IASB Agenda Consultation 2020

EFRAG TEG discussed the priority projects to be recommended to the IASB staff in the context of the 2020 Agenda Consultation. Members considered that the IASB should give priority to the finalisation of its ongoing projects and to ensuring the timely Post-Implementation reviews of IFRS Standards. To the extent the IASB staff resources are available, EFRAG TEG also identified some emerging matters that the IASB could consider, such as accounting for reverse factoring transactions, dynamic risk management for corporates and banks other than only for interest rate risk (e.g. foreign exchange rates, commodity risk), hedge accounting for insurance entities or the accounting effects of negative interest rates.

No decisions were taken at the meeting.

EFRAG Research Project *Equity Instruments - Research on Measurement*

EFRAG TEG discussed the proposed draft of EFRAG's advice to the European Commission and considered the feedback statement that summarises the comments received during EFRAG public consultation. Members agreed with the feedback statement and provided some drafting suggestions.

EFRAG TEG members were asked whether they would support the issuance of the advice, subject to the drafting suggestions and to providing supplementary inputs on the concluding



remarks. The majority of the present EFRAG TEG members supported the issuance of the advice.

No decisions were taken at the meeting

EFRAG Research Project *Variable and Contingent Consideration*

EFRAG TEG discussed the implication of different approaches to define variable and contingent consideration and how the EFRAG research project could be linked with the FRC research project. EFRAG TEG members suggested that, based on the definition of contingent consideration in IFRS 3 *Business Combination*, the research project would initially consider that a consideration is variable or contingent unless the amount or number of items and the qualities of these to be transferred in return for a fixed number or amount of other items of a set quality is fixed.

No decisions were taken at the meeting.

Next meeting

EFRAG TEG will next meet [5 December 2019](#).



EUROPEAN REPORTING LAB

Project Task Force on Climate-related Reporting

The PTF-CRR met on 19 November 2019 to review the progress of the drafting of the report and considered the necessary updates and changes to be made to the document. In doing so, members considered in particular the feedback from the extended outreach with stakeholders conducted over October and in early November. Members also agreed on the timeline for completion of the different sections of the report.

The PTF-CRR also received a presentation from AFEP and the Shift Project on their report *'Energy and climate scenarios: evaluation and guidance'*

Lastly the PTF-CRR discussed possible dates for its next meetings and agreed to meet again on 10 December 2019 to finalise the report. Further meetings are considered in early 2020, in particular, to discuss possible 'way forward' ideas around the project.

Next meetings

The next plenary meeting of the Project Task Force on Climate-related Reporting is scheduled for 10 December 2019 and will focus on the finalisation of the public consultation document to be published before the end of the year.

The next meeting of the European Lab Steering Group will be held on 3 December 2019 and will focus on the Lab's second project.



Finally, the next European Lab conference is envisaged to take place at the end of Q1 2020. The conference will celebrate the launch of the European Lab final report on the climate-related reporting project and will look forward to its next project on non-financial risks and opportunities, and their linkage to the business model.