



EFRAG UPDATE

September 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

Draft Endorsement Advice

On 30 September 2019, EFRAG published the request for comments on its Draft Endorsement Advice on *the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*. Comments are requested by 10 October 2019.

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

Final Comment Letters

The IASB's Exposure Draft ED/2019/4 *Amendments to IFRS 17*

On 24 September 2019, EFRAG published its final comment letter in response to the IASB's Exposure Draft ED/2019/4 *Amendments to IFRS 17*.

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

The IASB's Exposure Draft ED/2019/3 *Reference to the Conceptual Framework (Proposed amendments to IFRS 3)*

On 24 September 2019, EFRAG published its comment letter in response to the IASB's Exposure Draft ED/2019/3 *Reference to the Conceptual Framework (Proposed amendments to IFRS 3)* where EFRAG agrees with the IASB's proposals.

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

Draft Comment Letter

On 13 September 2019, EFRAG published its draft comment letter in response to the IASB's Exposure Draft ED/2019/5 *Deferred Tax related to Asset and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)* and seeks constituents' views on the proposals. Comments are requested by 25 October 2019.

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

Call for outreach on Crypto-Assets project

On 4 September 2019, EFRAG published a call for input from crypto-assets experts on its research project. This outreach activity is part of the problem phase definition. EFRAG is



seeking to engage with subject matter experts and practitioners within the crypto-assets ecosystem and related activities.

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

OPEN CONSULTATIONS

Title and description	Closing date
Request for comments on EFRAG's Draft Endorsement Advice on the <i>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</i>	10 October 2019
EFRAG's Draft Comment Letter on the IASB's Exposure Draft ED/2019/5 <i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Proposed amendments to IAS 12</i>	25 October 2019
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 [24 September 2019](#) and discussed the following topics:

IASB Exposure Draft ED/2019/4 *Amendments to IFRS 17 Insurance Contracts*

The EFRAG Board approved the final comment letter for submission to the IASB.

Conference call

The EFRAG Board held a conference call on [10 September 2019](#) and discussed the following topics:

IASB Exposure Draft ED/2019/1 *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

The EFRAG Board received an update on developments in the project and approved the process for developing the draft endorsement advice on the forthcoming standard.

IASB Exposure Draft ED/2019/4 *Amendments to IFRS 17 Insurance Contracts*

The EFRAG Board considered an overview of the consultation feedback on the EFRAG draft comment letter. No decisions were taken at the meeting.



Next meeting

The EFRAG Board will next meet on [8 October 2019](#).

September 2019 written procedures

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

- EFRAG's Draft Endorsement Advice on *the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*;
- EFRAG's final comment letter on the IASB Exposure Draft ED/2019/3 *Reference to the Conceptual Framework (Amendments to IFRS 3)*; and
- 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 amendment to IAS 12*.

Expected October 2019 written procedures

The EFRAG Board is expected to approve the following document, using written procedures in October:

- EFRAG's Draft Comment Letter on the IASB Exposure Draft ED/2019/6 *Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2)*.

EFRAG TECHNICAL EXPERT GROUP (TEG)

Meeting

EFRAG TEG met on [16-17 September 2019](#) and discussed the following topics:

IASB Exposure Draft ED/2019/4 *Amendments to IFRS 17 Insurance Contracts*

EFRAG TEG discussed the final comment letter in response to the Exposure Draft and agreed to recommend it to the EFRAG Board subject to drafting improvements. EFRAG TEG also raised two additional topics from the comment letters received for the EFRAG Board to consider with regards interim reporting and the option to set other comprehensive income to nil on transition.

IASB Exposure Draft ED/2019/1 *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

EFRAG TEG discussed the tentative decisions of the IASB on ED/2019/1 *Interest Rate Benchmark Reform (Proposed amendments to IFRS 9 and IAS 39)* taken at its meeting on 28 August 2019 and the preparatory version of EFRAG's Draft Endorsement Advice. EFRAG TEG members suggested some drafting improvements to the preparatory version of the document.

EFRAG TEG agreed to issue a pre-consultation document in preparation of the issuance of the Draft Endorsement Advice.



IASB Exposure Draft ED/2019/3 *Reference to the Conceptual Framework (Proposed amendments to IFRS 3)*

EFRAG TEG discussed the comments received on EFRAG's draft comment letter in response to the IASB Exposure Draft *Reference to the Conceptual Framework (Proposed amendments to IFRS 3)*. EFRAG TEG members agreed to recommend a draft comment letter for approval to the EFRAG Board.

IASB Exposure Draft ED/2019/6 *Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2)*

EFRAG TEG discussed a first draft of the comment letter in response to the IASB's consultation. The discussion will be continued at the next EFRAG TEG and CFSS meeting on 25 September 2019 (see below).

No decisions were taken at the meeting.

EFRAG Research Project *Equity Instruments – Research on Measurement*

EFRAG TEG discussed the Feedback Statement that summarises the comments received during EFRAG public consultation and discussed the structure and key elements of EFRAG advice to the European Commission request on alternative accounting treatments to those in IFRS 9 *Financial Instruments* that would portray the performance and risks of equity and equity-type instruments held in long-term investment business models.

EFRAG TEG welcomed the comprehensive feedback received from its constituents and provided a number of suggestions on how to structure the advice to the European Commission.

EFRAG TEG agreed with the proposed structure of the advice.

EFRAG Research Project *Better Information on Intangible Assets*

EFRAG TEG discussed a draft academic literature review on intangibles and considered its preliminary conclusions. TEG members welcomed the review and provided some drafting comments.

No decisions were taken at the meeting.

Meeting

EFRAG TEG met on [25-26 September 2019](#) and discussed the following topics:

IASB Exposure Draft ED/2019/1 *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

EFRAG TEG discussed the EFRAG's Draft Endorsement Advice (DEA) on the IASB's *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* ('the Amendments') issued by the IASB on 26 September 2019. EFRAG TEG agreed to recommend the DEA for the approval to the EFRAG Board by written procedure subject to drafting improvements.

IASB Exposure Draft ED/2019/6 *Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2)*

EFRAG TEG considered the output received from its previous discussion at the joint EFRAG CFSS and TEG meeting (see below) and agreed to recommend a draft comment letter to the EFRAG Board subject to drafting improvements.



EFRAG Research Project *Variable and Contingent Consideration*

EFRAG TEG discussed a preliminary definition of variable and contingent consideration proposed by the EFRAG Secretariat. Members suggested, at this stage of the research, to limit the scope of a preliminary definition to legal contracts involving fixed amounts and quality of the assets exchanged for both parties to the transaction, and to exclude financing elements and the functional currency of the transaction. Finally, EFRAG TEG recommended to focus the project initially on the definition of variable consideration, and to address contingent consideration at a later stage.

No decisions were taken at the meeting.

EFRAG Research Project *Equity Instruments – Research on Measurement*

EFRAG TEG discussed EFRAG's advice to the European Commission on alternative accounting treatments to those in IFRS 9 *Financial Instruments* that would portray the performance and risks of equity and equity-type instruments held in long-term investment business models.

EFRAG TEG members provided a number of suggestions on the content and structure of the document, particularly on the sections which include an assessment of alternative accounting treatments to fair value measurement for long-term investments in equity and equity-type instruments.

EFRAG TEG will consider an updated draft of EFRAG's advice to the European Commission in a future meeting.

No decisions were taken at the meeting.

EFRAG Research Project *Better Information on Intangible Assets*

EFRAG TEG discussed the scope and possible approaches to the research project.

No decisions were taken at the meeting.

Conference call

EFRAG TEG held a conference call on [6 September 2019](#) and discussed the following topic:

IASB ED/2019/5 Deferred Tax related to Asset and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)

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

Next meeting

EFRAG TEG will next meet [5-6 November 2019](#).

EFRAG CFSS AND EFRAG TEG

Meeting

EFRAG TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) met on [25 September 2019](#) and discussed the following topics:



IASB Exposure Draft ED/2019/6 *Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2)*

EFRAG CFSS and EFRAG TEG discussed the IASB's exposure draft and an initial drafting of EFRAG's draft comment letter. Members expressed support for the objective of the ED to clarify when to disclosure information about accounting policies are needed. Some expressed doubt as to whether the proposed changes in terminology would be enough to change behaviours.

IASB Project *Interest Rate Benchmark Reform - Phase II*

EFRAG CFSS and EFRAG TEG discussed the status of the IBOR project, the IASB's preliminary scope for Phase II and expressed their views on the additional issues to be included in Phase II.

Members expressed concern that the issues proposed by the IASB staff were too detailed and were not focused on a principles-based approach. Members suggested that the IASB's major objective should be to avoid the disruption of hedge accounting and that classification and measurement should be used as the means to achieve this objective.

Members did not propose to include any additional topics to the Phase II agenda proposed by the IASB.

IASB Research Project *Dynamic Risk Management*

EFRAG CFSS and EFRAG TEG provided their input on the upcoming outreach by the IASB on the Dynamic Risk Management (DRM) model. Members supported the development of educational material that helps constituents understand the DRM model and related past decisions. They expressed the importance of assessing the extent to which risk management can be meaningfully aligned with accounting approaches. Consequently, they expressed mixed views on whether the outreach should be conducted on the Core Model or deferred until the DRM model is complete.

Members discussed whether the target audience should be extended to entities other than banks including insurance entities particularly as the DRM model focuses on asset-profile transformation that is mainly relevant for banks. There was a recommendation to include auditors in the outreach. Members recommended that EFRAG Secretariat outreach should prioritise those entities that apply the carve-out of IAS 39 *Financial Instruments: Recognition and Measurement* and consideration of external economic environment (e.g. level of interest rates) on asset-liability management practices. Members also sought to clarify the primary objective of the DRM project, specifically whether it is reflecting risk management practices or eliminating accounting mismatches and whether any focus on these practices would be compatible with the optional application of the DRM model.

IASB Research Project *Financial Instruments with Characteristics of Equity*

EFRAG CFSS and EFRAG TEG received a summary of the feedback received by the IASB on Discussion Paper *Financial Instruments with Characteristics of Equity* ('DP') and an update on the IASB's discussion on the direction of the project.

Many members indicated that considering the lack of consensus on the right approach for the distinction between debt and equity and the significant number of concerns raised on the IASB's preferred approach, the approach most aligned with EFRAG's response to the IASB



DP is to focus on addressing the issues that arise in practice by clarifying the underlying principles of IAS 32.

Finally, most members highlighted the importance of improving current disclosure requirements, particularly on equity instruments.

EFRAG Research Project *Crypto-Assets*

EFRAG CFSS and EFRAG TEG provided their feedback on the proposed EFRAG's outreach approach and the structure of the draft questionnaire. Members acknowledged the existing variety of treatments of the crypto-assets and suggested that one of the objectives of the project could be the unification of these treatments. Other members suggested to look for analogies in the existing business, like vouchers, prepaid cards or barter transactions.

Regarding the crypto-assets' holders considerations presented by EFRAG Secretariat, members suggested to focus on the accounting issues.

KASB Research on *Accounting Estimation*

EFRAG CFSS and EFRAG TEG discussed a Korean Accounting Standard Board paper 'A revisit to the Definition of Accounting Estimates'.

Members generally did not consider that the alternative definitions proposed by the KASB would be an improvement over the IASB's proposals. Members reiterated that the main issue to be addressed was to provide more clarity on the distinction between changes in accounting policies and accounting estimates.

European Reporting Lab @ EFRAG

EFRAG CFSS and EFRAG TEG received an update on the activities of the European Reporting Lab, including its ongoing agenda consultation and the outreach activities with stakeholders on the Climate-Related Reporting project.

Next meeting

EFRAG CFSS-TEG will next meet on [4 December 2019](#).



EUROPEAN REPORTING LAB

European Lab Steering Group

The European Lab Steering Group (European Lab SG) hosted a roundtable event on 10 September 2019 on the future agenda of the European Lab. The projects proposed in the agenda consultation document launched in July 2019 were presented by European Lab SG members and views were exchanged.



Project Task Force on Climate-related Reporting

The Project Task Force on Climate-related Reporting (PTF-CRR) met on 20 September 2019 to review the progress of its work. During that meeting members also agreed the process and considered the material and questions for a series of outreach interviews scheduled to take place during October 2019. The objective of this outreach activity is to engage stakeholders in dialogue around climate-related reporting by considering a preliminary selection of examples and scenario analysis findings on the basis of the work of the PTF-CRR. The PTF-CRR also discussed the draft outline of their final public consultation document to be published before the end of the year.

Next meetings

The next plenary meeting of the Project Task Force on Climate-related Reporting is scheduled for 17 October 2019. The European Lab Steering Group will meet again on 15 October 2019 to consider the progress of the project on climate-related reporting and the outcome of the public consultation on future projects of the European Lab.