



EFRAG UPDATE

SEPTEMBER 2018

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

Letter to IASB on IFRS 17

On 4 September EFRAG sent a letter to the IASB to highlight certain aspects of IFRS 17 *Insurance Contracts* that, in the view of the EFRAG Board, merit further consideration by the IASB.

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

Call for candidates for members of the European Lab Steering Group

On 13 September EFRAG published a call for candidates for those interested in becoming a member of the European Lab Steering Group. The European Lab is intended to stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good practices. This initiative follows the call of the European Commission in its action plan on financing sustainable growth.

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

Webinar *Financial Instruments with Characteristics of Equity*

On 20 September EFRAG published an invitation to register for a webinar *Financial Instruments with Characteristics of Equity (FICE)* which will take place on 12 October. The webinar will delve into the more challenging and contentious areas of FICE and will outline EFRAG's tentative views on the key principles under consideration.

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

FICE consultation update

On 26 September EFRAG published a video which briefly outlines EFRAG's tentative views on the key principles under consideration in the IASB Discussion Paper and EFRAG draft comment letter on *Financial Instruments with Characteristics of Equity (FICE)*.

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



OPEN CONSULTATIONS

Title and description	Closing date
Draft Comment Letter on the IASB DP/2018/01 on the distinction between liabilities and equity	3 December 2018

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

EFRAG BOARD

Meetings

The EFRAG Board met on [3 September](#) and on [20 September](#) and discussed the following topics:

[EFRAG Board meeting 3 September](#)

IFRS 17 *Insurance Contracts*

The EFRAG Board approved a letter to the IASB that identified topics that, in the view of the EFRAG Board, merited further consideration by the IASB on the basis of EFRAG's activities in preparation for a draft endorsement advice.

The EFRAG Board had a preliminary discussion on a range of issues associated with the European public good criterion for inclusion in a future draft endorsement advice.

EFRAG Research Project *Equity Instruments - Impairment and Recycling*

The EFRAG Board decided to consult the EC on the possibility of combing the two requests relating to the accounting for equity instruments.

[EFRAG Board meeting 20 September](#)

IFRS 17 *Insurance Contracts*

The EFRAG Board discussed a draft paper aimed at providing additional information on the six matters identified in EFRAG's letter to the IASB of 4 September 2018. The EFRAG Board made several general comments on the draft paper, including that the sections aimed at explaining the reasons for selecting the six matters may not reflect its overall views.

The EFRAG Board noted that it had not concluded on the implications of any of these matters for its endorsement advice. The EFRAG Board also noted that the IASB is already familiar with the matters in EFRAG's letter and that relevant material from EFRAG's outreach activities is publicly available. The EFRAG Board therefore decided not to approve or further develop the draft paper.



EFRAG Research Project *Equity Instruments – Impairment and Recycling*

The EFRAG Board received a progress update on the project. The EFRAG Board decided to consider alternative approaches to finalising the EFRAG response to the first request from the EC at its October meeting.

EFRAG 2018 Research agenda consultation

The EFRAG Board approved the addition of the following projects to the EFRAG Research agenda:

- Better Information on Intangible Assets
- Crypto Assets
- Variable and Contingent Payments.

EFRAG Technical Work Plan

The EFRAG Board approved the technical work plan as presented.

[September 2018 written procedures](#)

The EFRAG Board has not approved any documents using written procedures in September.

[Expected October 2018 written procedures](#)

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

- EFRAG Endorsement Advice on IASB publication *Amendments to References to the Conceptual Framework in IFRS Standards*.

EFRAG TECHNICAL EXPERT GROUP (TEG)

EFRAG TEG met on [5 September](#) and on [27 September](#) and discussed the following topics:

[EFRAG TEG meeting on 5 September](#)

IFRS 17 *Insurance Contracts*

EFRAG TEG discussed papers relating to various aspects of European public good in preparation for developing Appendix III of the draft endorsement advice on IFRS 17.

No decisions were taken at the meeting.

[EFRAG TEG meeting on 27 September](#)

IASB Publication *Amendments to References to the Conceptual Framework in IFRS Standards*

EFRAG TEG agreed to recommend the EFRAG Board to issue an endorsement advice on *Amendments to References to the Conceptual Framework in IFRS Standards*.



IASB Research Project *Business Combinations under Common Control (BCUCC)*

EFRAG TEG discussed cases when the presence of non-controlling interests (NCIs) in a business combination under common control should result in the transaction being accounted for using the acquisition method as described in IFRS 3 *Business Combinations*. EFRAG TEG was also asked to provide views on whether the predecessor method could result in some useful information that is not provided by the acquisition method and whether comparative figures should be adjusted.

Some members expressed support for the acquisition method based on the information needs for NCIs. Other members considered that the predecessor method was less costly and would provide more relevant information about future cash flows.

The majority of EFRAG TEG members supported the view that when the predecessor method is applied by the receiving party, comparative figures should not be adjusted.

No decisions were taken at the meeting.

IASB Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity (FICE)*

EFRAG Secretariat presented to EFRAG TEG the bulletins on classification and presentation and disclosure of financial instruments. These bulletins aim to help constituents to better understand the IASB's preferred approach and to provide their views on EFRAG's Draft Comment Letter.

EFRAG TEG made minor drafting suggestions and approved the bulletins for publication.

EFRAG Research Project *Equity Instruments – Alternative Measurement Methods*

In the context of the new request for technical advice from the European Commission on the accounting requirements for equity and equity-like instruments, EFRAG TEG discussed whether to attempt to define long-term investing and various possible approaches to doing so.

Some members were not persuaded that such definition would help in developing the answer to the request, or that it would be feasible to find a practical definition. Others supported the development of a definition based on the notion of business model of the investor.

Overall, the majority of TEG members was not in favour of developing a definition of long-term investing.

No decisions were taken at the meeting.

IFRS 17 *Insurance Contracts*

EFRAG TEG discussed additional topics relating to aspects of European public good in preparation for developing Appendix III of the draft endorsement advice on IFRS 17. These topics related to interaction of IFRS 17 with other standards and whether competition issues arise between entities applying IFRS 17 and those applying other GAAPs.

No decisions were taken at the meeting.

EFRAG CFSS AND EFRAG TEG MEETING

EFRAG TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) met on [26 September](#) and discussed the following topics:



IASB Exposure Draft ED/2017/5 *Accounting Policies and Accounting Estimates (Amendments to IAS 8)*

EFRAG TEG and EFRAG CFSS discussed the IASB staff's tentative recommendations to address the key matters identified in the feedback received by the IASB in response to the exposure draft.

Members expressed concerns about the IASB Staff's recommendation to remove some of the initially proposed guidance and not to develop additional illustrative examples. Members considered that, if the recommendations were followed, the IASB would lose sight of its original objective to clarify the boundaries of accounting policies and estimates and to address overlaps in their definitions.

IASB Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity (FICE)*

EFRAG TEG and EFRAG CFSS provided their initial views on the IASB's Discussion Paper and EFRAG's Draft Comment Letter (DCL).

Members generally agreed with the views expressed in the EFRAG's DCL, emphasising the need of a thorough cost-benefit analysis of the IASB proposals, particularly on the attribution of total comprehensive income.

EFRAG Secretariat also informed EFRAG TEG and EFRAG CFSS about the outreach activities planned on FICE, the proposed topics to be covered and invited EFRAG CFSS members to co-host an outreach event with EFRAG.

IFRS 3 *Business Combinations* reference to the Conceptual Framework

EFRAG TEG and EFRAG CFSS discussed whether updating the references in IFRS 3 *Business Combinations* to the revised Conceptual Framework for Financial Reporting could result in unintended consequences. EFRAG TEG and EFRAG CFSS did not identify issues in addition to those already identified by the IASB staff. Members had different views on how the IASB could solve these issues.

IASB Research Project *Rate-regulated Activities*

EFRAG TEG and EFRAG CFSS discussed disclosure objectives and related disclosure requirements for the IASB project on rate-regulated activities. Members expressed broad support for the general direction of the disclosure framework for the project.

IASB Research Project *Extractive Activities*

EFRAG TEG and EFRAG CFSS noted the diversity of accounting practice and that relevant information was frequently provided outside the annual report.

EFRAG TEG and EFRAG CFSS identified that changes in extractive activities since the issue of the 2010 NSS Discussion Paper by the IASB included the impact of climate change and fracking. EFRAG TEG and EFRAG CFSS discussed whether the project should address digital mining and the costs of testing property, plant and equipment that was the subject of a recent IASB Exposure Draft.



EFRAG 2018 Research agenda consultation

EFRAG Secretariat provided an update of the recent EFRAG Board decisions on the new Research topics and a short illustration of the content and approach to each topic. EFRAG CFSS members were invited to express their interest in participating in the research.

European Corporate Reporting Lab at EFRAG

The EFRAG Secretariat presented to EFRAG TEG and EFRAG CFSS the newly established European Corporate Reporting Lab at EFRAG and urged the members to promote the Call for Candidates for its Steering Group.

NZASB Research *Extended External Reporting*

EFRAG TEG and EFRAG CFSS considered two surveys conducted by the New Zealand External Reported Board (XRB) studying the attitudes of company CFOs and users of financial statements towards Extended External Reporting in New Zealand.

Members considered that the EU legal framework governed information to be provided in the Management Commentary and therefore the survey findings could not be extrapolated.