



EFRAG UPDATE

DECEMBER 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 and Feedback Statement

On 12 December 2019, EFRAG published its Comment Letter in response to the IASB's Exposure Draft ED/2019/6 *Disclosure of Accounting Policies (Proposed Amendments to IAS 1 and IFRS Practice Statement 2)*.

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

On 9 December 2019, EFRAG published its feedback statement to the IASB ED/2019/4 *Amendments to IFRS 17*.

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

Call for EFRAG Rate-regulated Activities Working Group members

On 18 December 2019, EFRAG announced its decision to renew the membership of its Rate-regulated Activities Working Group (EFRAG RRAWG).

Applications are welcome till 20 January 2020.

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

OPEN CONSULTATIONS

There are no open consultations in December 2019.

EFRAG BOARD

Meeting

The EFRAG Board met on [18 December 2019](#) and discussed the following topics:

IFRS 17 Insurance Contracts

The EFRAG Board received an update on the project the reviewed the activities planned in preparation of the draft endorsement advice.



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

The EFRAG Board received an update on the project.

IASB Project *Primary Financial Statements*

The EFRAG Board received an update on the project.

IASB Research Project *Goodwill and Impairment*

The EFRAG Board received an update on the project.

EFRAG Research Project *Equity Instruments – Research on Measurement*

The EFRAG Board discussed the concluding remarks. A revised draft of the advice will be discussed in January 2020.

Update of workplan and any other matters

The EFRAG Board approved the technical work plan as presented.

Conference call

The EFRAG Board held a conference call on [11 December 2019](#) and discussed the following topics:

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

The EFRAG Board discussed and approved a comment letter in response to the IASB's Exposure Draft.

Next meeting

The EFRAG Board will next meet on [14 January 2020](#).

December 2019 written procedures

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

Expected January 2020 written procedures

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

EFRAG TECHNICAL EXPERT GROUP (TEG)

Meeting

EFRAG TEG met on [4-5 December 2019](#) and discussed the following topics:



IFRS 17 Insurance Contracts

EFRAG TEG discussed the following topics: i) the feedback statement on EFRAG's comment letter regarding the IASB's ED Amendments to IFRS 17; ii) hedge accounting and interactions between IFRS 9 and IFRS 17; iii) documents on user outreaches, economic study and limited update of the case study; and iv) analysis of the feedback received by the IASB on the ED.

No decisions were taken at the meeting.

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

EFRAG TEG discussed the IASB's tentative decisions on classification and measurement issues dealt with in the Phase 2 of the project.

EFRAG TEG members supported the IASB tentative decisions on classification and measurement, except for the approach to the modification. With reference to the modification EFRAG TEG members expressed concerns about the possible unintended consequences of the IASB's proposed approach.

No decisions were taken at the meeting.

IASB Project Management Commentary Practice Statement

EFRAG TEG received an update on the *Management Commentary Practice Statement* (MCPS) project.

In preparation to the December meeting of the IASB Management Commentary Consultative Group, in which EFRAG participates as an observer, EFRAG TEG members encouraged the IASB to use clearer, more concise and actionable language to take better account of the expected audience of the management commentary information. Members also encouraged the IASB to consider the interactions of MCPS with other frameworks, including non-financial information, and strive to offer a platform that facilitates the inter-operability and integration of information required by various frameworks.

No decisions were taken at the meeting.

IASB Project Disclosure Initiative – Accounting Policies

EFRAG TEG discussed and agreed to recommend for approval to the EFRAG Board a final comment letter in response to the IASB's Exposure Draft subject to some drafting improvements. The recommendation was considered by the EFRAG Board at its 11 December webcast meeting (see above).

IASB Project Primary Financial Statements

EFRAG TEG members discussed the direction and key messages for EFRAG Draft Comment Letter on the IASB's project *Primary Financial Statements* for which the IASB was expected to publish an Exposure Draft (ED) by the end of December 2019.

EFRAG TEG members welcomed the ED and generally supported the IASB's efforts to improve the structure and content of primary financial statements, particularly the introduction of operating profit which would provide useful information about the entity's main business activities.

EFRAG TEG members had mixed views on the approach taken with reference to the definition of "investing" and "financing" category.



EFRAG TEG members welcomed the IASB's efforts to provide more discipline on the use of MPMs. However, they expressed concerns about the scope of the IASB proposal and in particular about the requirement to disclose information about management performance measures that are presented in public communication outside the financial statements.

No decisions were taken at the meeting.

EFRAG Research Project *Crypto Assets*

EFRAG TEG discussed the findings on the outreach conducted by the EFRAG Secretariat on the EFRAG's Research project on the accounting for crypto-assets. Some EFRAG TEG members highlighted the finding regarding the determination of the rights and obligations associated with the issuance/acquisition of a token. They questioned why it was not possible to clearly determine the rights and obligations as noted by the outreach findings, and how this uncertainty might impact the definition of an asset under the IASB *Conceptual Framework*.

EFRAG TEG members considered that an education session to explain the structure and operational functions of a sample of crypto-assets, would be useful to better understand the underlying fact patterns and potential accounting implications.

No decisions were taken at the meeting.

EFRAG Research Project *Better Information on Intangible Assets*

EFRAG TEG received a presentation of the final draft of the literature review commissioned by EFRAG on intangibles. This session complemented the presentation made at the September 2019 EFRAG TEG meeting when initial findings of the review were considered

No decisions were taken at the meeting.

Next meeting

EFRAG TEG will next meet [29-30 January 2020](#).

EFRAG CFSS AND EFRAG TEG

Meeting

EFRAG TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) met on [4 December 2019](#) and discussed the following topics:

IFRS 17 *Insurance Contracts*

EFRAG CFSS and EFRAG TEG were provided with an overview of the feedback the IASB received on its ED *Amendments to IFRS 17*. Members were informed about the workplan the EFRAG Secretariat is following in preparation of the Draft Endorsement Advice of the final IFRS 17.

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

EFRAG CFSS and EFRAG TEG discussed the proposed workplan of the EFRAG Secretariat with regard to phase 2 of the *Interest Rate Benchmark Reform* project. Members were



requested to inform the EFRAG Secretariat in case additional issues would arise in their jurisdictions.

IASB Research Project Post-Implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*

EFRAG CFSS and EFRAG TEG discussed the issues related to the implementation of IFRS 10, IFRS 11 and IFRS 12, to be addressed by the IASB's Request for Information in H1 2020. Members reported that the assessment was still at the starting phase and not yet completed in the respective jurisdictions. Their preliminary opinions were overlapping with the initial findings of the IASB Staff, however some comments related to specific issues of European jurisdiction.

IASB Agenda Consultation 2020

EFRAG TEG and EFRAG CFSS discussed the list of potential projects identified by members of ASAF for inclusion in the IASB's 2020 Agenda Consultation. EFRAG TEG members and National Standard Setters noted the length and diversity of the list put together by ASAF members (including smaller to bigger projects). Members reiterated that the IASB should first consider its ongoing projects and the timely post-implementation reviews of IFRS Standards.

Members noted the projects on *Better Information on Intangibles*, *Crypto-assets*, and *Variable Payments* which were also on EFRAG's research agenda for 2020. Members highlighted that the IASB would have the possibility to leverage from lessons learnt from those papers and the responses to the consultation.

European Corporate Reporting Lab at EFRAG

EFRAG TEG and EFRAG CFSS received an update on the European Lab activities including progress on its first project on *Climate-Related Reporting* and the decision to have a second project *Reporting of non-financial risks and opportunities and linkage to the business model*.

EFRAG and National Standard Setters Outreach Activities

EFRAG CFSS and EFRAG TEG discussed possible outreach activities on a number of publications expected to be issued by the IASB in 2019 and 2020. It was acknowledged that the IASB was going to make extensive consultations in 2020 (three exposure drafts, two discussion papers and three requests for views) and National Standard Setters considered the possibility of covering different topics together in future outreach events.

EFRAG CFSS and EFRAG TEG members generally supported having outreach events on the IASB's consultation on *Primary Financial Statements*, with few members supporting a joint discussion of the IASB's projects *Primary Financial Statements* and *Goodwill and Impairment*. Members also discussed the possibility of covering other topics together, such as *Business Combinations Under Common Control* and *Post Implementation Review of IFRS 10, IFRS 11 and IFRS 12*, however they noted that the timing of publication would be crucial.

Finally, EFRAG CFSS and EFRAG TEG members agreed that it was fundamental to get users of financial statements heavily involved in future outreach events.



KASB Research Project on Intangibles

EFRAG CFSS and EFRAG TEG received a presentation from the KASB research team on the KASB project on intangibles. Members discussed the KASB proposal of presenting a separate report – tentatively named ‘the Statement of Core Intangibles’ – which would provide monetary valuation of core intangibles. Members welcomed the KASB presentation and noted that the identification and disclosure of core intangibles was helpful. However, some members indicated possible concerns with the relevance and reliability of the information and the cost associated with measuring some unrecognised intangibles at fair value. It was also noted that the proposed approach, if applied to non-separable intangibles, could result, in some cases, in double counting of resources. It was recommended that the KASB reaches out to users to assess whether they would find the suggested information helpful.

The EFRAG Secretariat and KASB representatives agreed to continue monitoring developments and ways to collaborate on their respective projects.

Next meeting

EFRAG CFSS-TEG will next meet [25 March 2020](#).



EUROPEAN REPORTING LAB

European Lab Steering Group

The European Lab Steering Group (European Lab SG) met on 3 December 2019.

Members received an update on the timeline, progress and challenges of the Climate-related Reporting (CRR) project from the Chair of the Project Task Force (PTF).

Members were invited to provide an initial evaluation on the activity of the first year of the European Lab including the first project on CRR.

Members also discussed the scope of the second project to be undertaken by the European Lab *Reporting of non-financial risks and opportunities and linkage to the business model*. Members agreed that, prior to launching the project, the European Lab SG would take a step back and collectively reassess the working approach, methodology, process and responsibilities for the next project including its interactions with the European Lab SG. In doing so the lessons learned from the first project will be considered.

Lastly, the European Lab SG discussed the timeline for the four meetings scheduled in 2020 and welcomed a second European Lab conference in spring that would cover as subjects the final report resulting from the climate-related reporting project and the new European Lab project on *Reporting of non-financial risks and opportunities and linkage to the business model*.



Project Task Force on Climate-Related Reporting (PTF-CRR)

The PTF-CRR met on 10 December 2019. The session was entirely devoted to reviewing, improving and finalising the drafting of the PTF-CRR's Report expected to be issued in early 2020.

Next meetings

The next meeting of the PTF-CRR will be held on 8 January 2020.