



October 2016

EFRAG Update

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.

October Publications

Preliminary Consultation Document

On 12 October, EFRAG issued its *Preliminary Consultation Document relating to the endorsement for use in the EU of IFRS 16 Leases*. EFRAG is seeking the views of constituents, by 8 December 2016, on the specific matters raised in this document and any other issues considered relevant to EFRAG's endorsement advice.

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

Draft Endorsement Advice

On 7 October, EFRAG published its draft endorsement advice and a separate invitation to comment relating to the endorsement for use in the EU of *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2*. Comments are requested by 10 November 2016.

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

October 2016 meetings

This edition of the EFRAG Update contains summaries of meetings held in October by:

- The EFRAG Board; and
- The EFRAG Technical Expert Group (EFRAG TEG)

Detailed meeting reports

EFRAG Board meeting on 6 October

The EFRAG Board met on 6 October and discussed the following:

- IFRS 16 *Leases*
- IASB Publication *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*
- EFRAG work plan

IFRS 16 *Leases*

The EFRAG Board approved the Preliminary Consultation Document for release for public consultation.

IASB Publication *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*

The EFRAG Board approved the draft endorsement advice for release for public consultation.

EFRAG work plan

The EFRAG Board approved the technical work plan.

EFRAG Board – Expected November written procedures

During November, the EFRAG Board is expected to approve the following document using written procedures:

- EFRAG's final comment letter on the IASB's Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IAS 11)*

EFRAG TEG meeting on 26 and 27 October

At its meeting on 26 and 27 October, EFRAG TEG discussed:

- IASB Publication ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*
- IASB Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IAS 11)*
- IASB Project *Dynamic Risk Management*
- IASB Project *Insurance Contracts*
- EFRAG Proactive Work on Accounting Policy Options
- EFRAG Proactive Work on Application Issues in Discounting
- EFRAG Proactive Work on Pensions

IASB Publication ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

EFRAG TEG discussed and agreed to recommend a draft endorsement advice to the EFRAG Board subject to drafting improvements.

IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*

EFRAG TEG received an update on the developments related to the Conceptual Framework for Financial Reporting. No decisions were taken at the meeting.

IASB Exposure Draft ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IAS 11)*

EFRAG TEG discussed the feedback received in response to its draft comment letter. EFRAG TEG agreed to recommend a final comment letter to the EFRAG Board subject to drafting improvements.

IASB Project *Dynamic Risk Management*

EFRAG TEG discussed the findings from the outreach paper on dynamic risk management. EFRAG TEG recommended that, prior to publishing the paper, material should be added on the challenges of faced by entities in reflecting their dynamic risk management activities using the using the existing hedge accounting requirements along with possible next steps in the project.

IASB Project *Insurance Contracts*

EFRAG TEG discussed different aspects of the future insurance contracts Standard based on an example designed to illustrate the IASB's decisions on the accounting for non-participating contracts.

EFRAG Work on Accounting Policy Options

EFRAG TEG discussed a request from the EFRAG User Panel to ask EFRAG to undertake a project to examine whether certain of the accounting policy choices in IFRS could be removed.

EFRAG TEG recommended to explore whether there were accounting policy options in relation to presentation and classification of information in the financial statements that could be addressed in the IASB project on Primary Financial Statements, and whether a principle could be developed to support the use of a policy choice in an IFRS, as part of the IASB's revised Conceptual Framework. However, EFRAG TEG did not support adding a separate EFRAG project at this stage.

EFRAG Proactive Work on Application Issues in Discounting

EFRAG TEG discussed the scope of the research project and recommended that the accounting implications in discounting should only be considered after obtaining an understanding of the economic factors behind the current level of interest rates.

EFRAG TEG recommended that the scope of the research be narrowly defined and focus first on the implications of discounting with negative rates and the impact of interest rate volatility on financial reporting.

EFRAG Proactive Work on Pensions

EFRAG TEG discussed the scope of the project on pension accounting and considered some quantitative data on pension liabilities for listed entities within the EU and EEA.

EFRAG TEG recommended that the initial scope of the work should consider pension plans where a promised return would depend on the return on assets and that any further quantitative analysis should aim to identify a target population of entities for further analysis.