



# EFRAG UPDATE

FEBRUARY 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 Endorsement Advice**

On 20 February, EFRAG submitted to the European Commission its Endorsement Advice relating to the use in the European Union and European Economic Area of the IASB's Publication *Definition of Material (Amendments to IAS 1 and IAS 8)*.

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

### **Financial Instruments with Characteristics of Equity**

On 1 February, EFRAG published its comment letter in response to the IASB's Discussion Paper *Financial Instruments with Characteristics of Equity*.

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

On 20 February, EFRAG published a Feedback Statement and a video summarising the input received in response to its consultation on the IASB's Discussion Paper and how the feedback had been considered by EFRAG during its technical discussions.

For more details, please see the [feedback statement](#) and the [video](#).

On 28 February, the EFRAG Secretariat published a Working Paper providing an early-stage analysis of some possible effects of the IASB's Discussion Paper.

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

### **Survey *How should discounting be applied to pension obligations?***

On 22 February, EFRAG and ICAS published a link to a survey on discount rates applied to pension accounting. EFRAG and ICAS are currently co-sponsoring ongoing research from the University of Leeds and the University of York on the topic. The survey will be available for a couple of weeks.

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

### **EFRAG Conference *Fostering Innovation in Corporate Reporting***

On 15 February, EFRAG announced the final programme for *Fostering Innovation in Corporate Reporting*, the first conference of the newly-formed European Corporate Reporting Lab @ EFRAG on 5 March 2019 in Brussels.

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



## European Lab Project Task Force on Climate-related Reporting

On 15 February, the European Lab Steering Group appointed the Project Task Force for the first project of the European Lab, which addresses climate-related reporting. The Project Task Force held its first meeting on 26 February.

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

## OPEN CONSULTATIONS

Title and description	Closing date
EFRAG requests comments on its Draft Endorsement Advice on <i>Definition of a Business (Amendments to IFRS 3)</i>	4 March 2019
EFRAG Secretariat Working Paper: Early-stage Analysis - Potential Effects of the IASB Discussion Paper on Financial Instruments with Characteristics of Equity	1 April 2019
EFRAG's Draft Comment Letter on the IASB ED/2018/2 <i>Onerous Contracts - Cost of Fulfilling a Contract - Proposed amendments to IAS 37</i>	5 April 2019
EFRAG requests comments on a Discussion Paper that explores accounting for non-exchange transfers	30 April 2019

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

## EFRAG BOARD

### Meeting

The EFRAG Board met on [27 February 2019](#) and discussed the following topics:

#### **IFRS 17 Insurance Contracts**

The EFRAG Board considered the views of EFRAG TEG on the tentative decisions of the IASB on possible amendments to IFRS 17 taken in the IASB's December 2018 meeting. The EFRAG Board asked for further analysis of the relevance, costs and benefits of IFRS 17's requirement to include premiums receivable and claims payable within insurance contract assets and liabilities.

In future meetings, the EFRAG Board will consider the views of EFRAG TEG on the IASB's tentative decisions on IFRS 17 taken in the IASB's January to March meetings as part of its regular update on the IFRS 17 project plan. The EFRAG Board also decided to consider, at a future meeting, an updated analysis of the six issues in EFRAG's September 2018 letter to the IASB. The EFRAG Board noted that the ongoing work should also assess whether IFRS 17 includes requirements that are inconsistent or excessively judgemental.

#### **EFRAG Research Project *Equity Instruments: Research on Measurement***



The EFRAG Board decided to restructure the public consultation and asked EFRAG TEG to:

- Develop examples to illustrate different scenarios for holding long-term investments. Examples that were suggested included investments in a wind farm, a unit trust and a portfolio of equity investments;
- Develop an on-line questionnaire using the examples as the basis for collecting input to help inform EFRAG's response to the EC request; and
- Reformulate the draft Discussion Paper as an EFRAG Secretariat background briefing paper supporting the questionnaire.

### **Update of work plan and any other matters**

The EFRAG Board approved the work plan as presented.

### **Next meeting**

The EFRAG Board will next meet on 4 April 2019.

### **February 2019 written procedures**

The EFRAG Board approved the following document using written procedures:

- EFRAG's Final Endorsement Advice on the IASB's Publication *Definition of Material (Amendments to IAS 1 and IAS 8)*.

### **Expected March 2019 written procedures**

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

- EFRAG's Draft Endorsement Advice on the IASB's Publication *Definition of a Business: Amendments to IFRS 3*.

## **EFRAG TECHNICAL EXPERT GROUP (TEG)**

### **Meeting**

EFRAG TEG met on [13-14 February 2019](#) and discussed the following topics:

#### **IFRS 17 Insurance Contracts (EIOPA presentation)**

EIOPA provided EFRAG TEG with a presentation of its analysis of IFRS 17. This presentation covered the expected impacts on financial stability and European public good; potential effects on attractiveness, competitiveness and availability of insurance products; and using Solvency II inputs and processes.

No decisions were taken at the meeting.

#### **IFRS 17 Insurance Contracts (feedback from January EFRAG IAWG meeting)**

EFRAG TEG discussed the views from the EFRAG IAWG January 2019 meeting on the tentative decisions of the IASB at its December 2018 meeting. EFRAG TEG considered how



these views should be incorporated in the response to the forthcoming Exposure Draft and/or could affect the draft endorsement advice.

No decisions were taken but EFRAG TEG addressed questions to EFRAG IAWG to obtain further information and views on certain topics.

### **IASB Publication *Definition of Material (Amendments to IAS 1 and IAS 8)***

EFRAG TEG members present unanimously agreed to recommend a final endorsement advice supporting the Amendments, for consideration by the EFRAG Board.

### **IASB Project *Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)***

EFRAG TEG discussed whether, and if so how, updating a reference in IFRS 3 *Business Combinations* from a previous version of the IASB's Conceptual Framework to the revised Conceptual Framework should be done in order to avoid unintended consequences of the earlier recognition of levies than required by IFRIC 21 *Levies*. Most EFRAG TEG members supported the IASB's tentative decision.

No decisions were taken at the meeting.

### **IASB Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity***

EFRAG TEG considered a draft feedback statement prepared by the EFRAG Secretariat that summarises the main comments received by EFRAG on its draft comment letter to the IASB DP *Financial Instruments with Characteristics of Equity*. The draft feedback statement explains how those comments were considered by EFRAG during its technical discussions leading to the publication of EFRAG's final comment letter.

EFRAG TEG agreed with the draft feedback statement.

### **EFRAG Research Project *Equity Instruments – Research on Measurement***

EFRAG TEG discussed a revised version of a Discussion Paper ('DP') dealing with alternative approaches for measuring equity and equity-type instruments, with a specific focus on the reporting of performance of entities that hold long-term investment portfolios.

The DP firstly examines historical cost and average fair value, and briefly presents other allocation-based approaches and approaches based on adjusted cost. The DP also discusses possible ways to define 'long-term' and the type of instruments for which an alternative measurement could be considered.

EFRAG TEG provided suggestions for drafting improvements and recommended that the revised DP is submitted to the EFRAG Board for approval.

### **EFRAG Research Project *Crypto-assets***

EFRAG TEG had a first discussion on the scope and project plan for EFRAG's new Research project on Crypto-assets. EFRAG TEG supported the proposed two-phase approach and agreed that the first phase - 'problem definition' phase – should examine the use and prevalence of crypto-assets in a broader sense and whether crypto-assets and related activities give rise to accounting challenges that are not addressed in existing IFRS Standards.

EFRAG TEG members also recommended to examine whether the accounting challenges identified for crypto-assets held for investment or similar purposes also apply to other assets



held for those purposes. EFRAG TEG members referred to commodities (such as gold and other minerals), emission rights and rights obtained through loyalty and similar programmes as possible examples of such assets.

No decisions were taken at the meeting.

**Next meeting**

EFRAG TEG will next meet on 20-21 March 2019.