

International Accounting Standards Board  
30 Cannon Street  
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United Kingdom

Submitted electronically via [go.ifrs.org/comment](http://go.ifrs.org/comment)

23 December 2015

Dear Sirs,

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the IASB's Request for Views: 2015 Agenda Consultation ("the Consultation"). AFME represents a broad range of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks and other financial institutions. AFME advocates stable, competitive and sustainable European financial markets, which support economic growth and benefit society.

We welcome the latest IASB consultation on its future agenda and are pleased that the Board is consulting with a broad range of stakeholders to "help shape financial reporting Standards for the world economy". We also view the timing of the consultation as appropriate, given the near completion of three of the recent accounting priorities for the financial sector over the last few years: the Financial Instruments, Insurance Contracts and Leases standards.

Please see below for our responses to the individual questions in the consultation document.

**1. The IASB's work plan includes five main areas of technical projects:**

- a) its research programme;**
- b) its Standards-level programme;**
- c) the Conceptual Framework;**
- d) the Disclosure Initiative; and**
- e) maintenance and implementation projects.**

**What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?**

We believe that the IASB should focus, in its next agenda cycle, on issues arising from the inconsistent application of current Standards and on finishing projects already commenced. We therefore suggest that, when considering the factors to be used to

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determine how to allocate the Board's resources on different technical areas, maintenance and implementation projects and already commenced Standards-level work should be given precedence. We base our response on the premise that new Standard projects or major changes in current IFRSs can often be resource intensive and can therefore divert attention from other priorities. Where problems are identified in applying IFRSs in practice, we consider that these can generally be more effectively dealt with through narrow-scope amendments, as part of the IFRS maintenance work.

An example of this is the work already commenced on the Financial Instruments with Characteristics of Equity (FICE) research project. Problems with *IAS 32* have indeed been identified, relating, for example, to the application of the 'fixed for fixed' condition or to hybrid instruments. Both of these problems have been discussed by IFRIC and, it would seem that such problems could be effectively addressed through amendments to the existing standard. The FICE project however is much more wide-ranging and ambitious and the breadth of the work undertaken would seem to be causing delays in tackling the most immediate issues with *IAS 32*.

Another area of focus for our members is the finalisation of the Conceptual Framework project and the clarification of any spillover effects into existing standards. We would therefore welcome more certainty on instances in which the IASB would consider exploring the possibility of resolving inconsistencies between the Conceptual Framework and existing IFRS.

2. **The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33. Should the IASB:**
  - a) **add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.**
  - b) **remove from its research programme the projects on foreign currency translation (see paragraphs 39–41) and high inflation (see paragraphs 42–43)? Why or why not?**
  - c) **remove any other projects from its research programme?**

Please see our answer to question 1 above, where we set out our view on wide-ranging research projects.

In terms of the Research Projects listed in paragraph 32 of the consultation document, we would suggest that the Board should prioritise the Dynamic Risk Management (DRM) project. This would help address some of the current problems encountered by preparers in applying the macro fair value hedging under *IAS 39* to dynamic portfolio hedges, including P&L volatility and frequent re-designations, while also providing more transparency and more meaningful information. In continuing its work on this project, we would encourage the IASB to analyse the way in which the macro hedging activities are managed to ensure their relevant and faithful representation through the accounting treatment.

We would also refer to our answer above in respect of the Financial Instruments with Characteristics of Equity project, with regard to which we would welcome a more narrow focus in order to address the particular difficulties encountered in applying IAS 32.

- 3. For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/ medium/low) and urgency (high/medium/low).**

**Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.**

Please refer to our answer to question 2 above for more information regarding our members' view on high importance and high urgency projects.

- 4. Do you have any comments on the IASB's current work plan for major projects?**

In addition to the above comments on the IASB's proposed Research Projects work, we would also highlight the Post-Implementation Reviews (PIRs) for the new *IFRS 9* and *IFRS 4* standards as a potential area of focus. The issues relating to the impact of the different effective dates of the Financial Instruments and Insurance standards is creating an additional layer of uncertainty for some of our members. We therefore support the IASB in finding a solution to this issue through their work with other partners (and in particular with EFRAG for the European dimension).

- 5. Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19–23 and 50–53)?**

As mentioned in paragraph 20 of the consultation document, "many of the maintenance and implementation projects result from submissions to the Interpretations Committee". Given the role of the IFRS Interpretations Committee (IFRIC) in assessing the issues listed in paragraph 20 (a) to (c) of the consultation document, we would support a review of the due process requirements. The review could look at ways in which the process for reaching agenda decisions and interpretations could be streamlined, leading to more timely conclusions. For example, we think it might be appropriate to explore conditions under which members of the IFRIC could work on technical analysis in preparation for formal meetings in order to help maximise their efficiency and effectiveness. This in turn would help the IASB to develop narrow scope amendments more quickly and in a manner "responsive to the needs of those implementing IFRS" (paragraph 22 of the consultation document).

With regard to maintenance and implementation projects, we believe these could also be facilitated by a clearer understanding of the roles of the various organisations involved (IFRIC, ESMA, and Transition Resource Groups etc). In particular, we would highlight the potential for Transition Resource Groups to play an important role in providing implementation support in the first years of applying new standards. We

would therefore welcome exploring the possibility of making TRG's a standard fixture in the implementation of any future standards.

**6. Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?**

On this point, please refer to our comments above on the breadth of projects commenced by the IASB. We would view narrow-scope amendments to existing standards, targeted at where issues in their application are identified, as being preferable to wide-ranging standard setting exercises. We would therefore encourage the IASB to focus on the post-implementation review of recently-issued IFRSs (such as *IFRS 9*) and problems identified between different set of requirements (such as between the Conceptual Framework and other standards) as priorities. In addition, we would encourage the IASB to explore means by which the Standard-setting process could be made more flexible in situations where accounting changes might need to be introduced rapidly, while still ensuring appropriate due process.

**7. Do you have any other comments on the IASB's work plan?**

We note that paragraph 10 of IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* requires that “in the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy ...”

Paragraph 11 of IAS 8 provides that “in making the judgement described in paragraph 10, management shall refer to, and consider the applicability of the following sources in descending order: a) the requirements in IFRSs dealing with similar and related issues; and b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.”.

Paragraph 12 of IAS 8 goes on to state that “in making the judgement in paragraph 10, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11”.

In order to assist with application of paragraph 12 of IAS 8, we would welcome the IASB providing more clarity in the future on whether it considers that particular pronouncements by other standard-setting bodies (such as the FASB) do not conflict with the sources listed in paragraph 11.

**8. Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more**

**appropriate than the three year interval currently required. Do you agree? Why or why not? If not, what interval do you suggest?**

Regarding the frequency of Agenda Consultations, we believe that the current period of 3 years (extended to 4 in practice due to the additional length of the consultation period) is appropriate. We would also welcome, in the intervening periods, more frequent narrow-scope consultations on the continuing relevance of ongoing priorities and whether to continue work on existing projects (such as for Research projects where no material progress has been achieved).

Yours sincerely,

A handwritten signature in black ink that reads "R Middleton". The signature is written in a cursive, slightly slanted style.

**Richard Middleton**

**Managing Director &  
Head of Accounting Policy**