



European Financial Reporting Advisory Group ■

EFRAG Update

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AASB, 15 August 2017

Outline



- EFRAG structure and objectives
- Influencing the IASB
- Endorsing IFRS Standards in the EU: role of EFRAG
- EFRAG proactive work



EFRAG structure and objectives

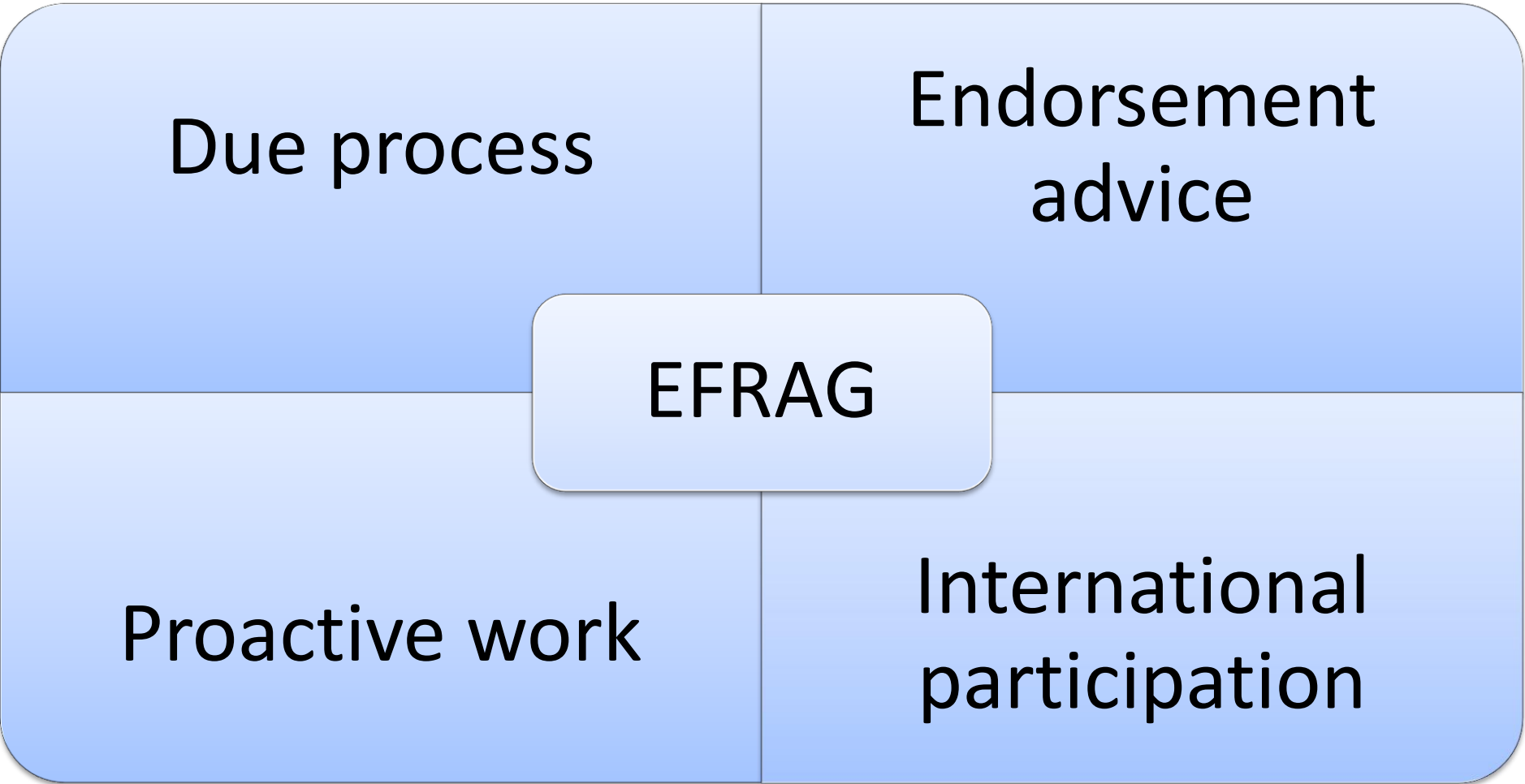
EFRAG's mission statement

- Develop and promote European views in a **thought leadership role** and to ensure that they are properly taken into account in the IASB standard setting process
- Advise the European Commission as to whether IFRS Standards meet the IAS Regulation endorsement criteria for use in the preparation of financial statements in the EU (including whether the IFRS would be conducive to the **European public good**)
- EFRAG's mission is carried out with the sole objective of serving **European public interest**. EFRAG

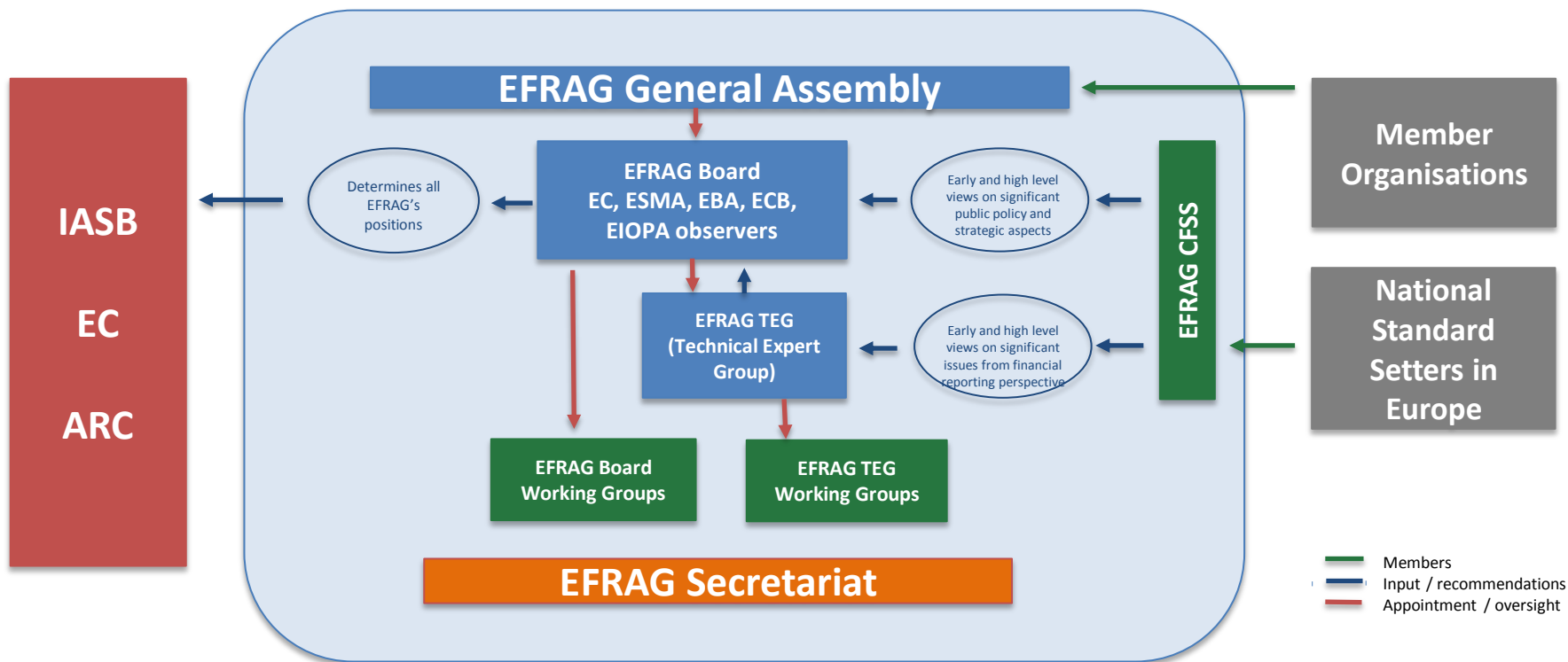
EFRAG's main objectives

- Ensuring full participation of European stakeholders in the debate supporting the development of IFRS and **expressing the technical European views** throughout the IASB standard-setting process
- Engaging European stakeholders in the analysis of and debate on emerging financial reporting issues by stimulating, coordinating and carrying out **proactive accounting activities**
- Advising the EC on the **endorsement** of IFRS for use in Europe

EFRAG has gained technical credibility and international visibility



EFRAG Governance structure



EFRAG Board

- 17 members:
 - 8 representatives of European organisations
 - 8 representatives of NSS (France, Germany, Italy, the UK + four others)
 - 1 President nominated by the European Commission
- European regulators are observers
- EFRAG funding is a condition for nominating representatives
- EFRAG TEG provides technical advice to the EFRAG Board

Role of the EFRAG Board

- Responsible for **all EFRAG positions after having considered technical advice of EFRAG TEG** and reflecting the results of EFRAG's due process (*including assessing impact on the European public good – not hindering financial stability and economic growth*)
- Ensuring that EFRAG has an open and transparent due process including public consultation
- Supervisory and oversight functions including appointment of EFRAG TEG members and preparation of the EFRAG General Assembly meetings
- All papers supporting EFRAG Board and EFRAG TEG public sessions are available on the EFRAG website

- Maximum 16 voting members appointed by the EFRAG Board
 - *4 nominated by National Standard Setters of France, Germany, Italy and UK*
 - *Geographical and professional balance*
 - *Maximum term: 6 years (EFRAG TEG Chairman: 12 years)*
- Observers with speaking rights: EC, ECB, EBA, EIOPA, ESMA and the IASB
- EFRAG TEG's composition as far as possible mirrors Europe's constituents

Role of EFRAG TEG

- Providing technical advice to the EFRAG Board
- Establishing specialist Working Groups
 - Academic panel (and academic network)
 - Financial instruments working group
 - Insurance accounting working group
 - Pension plans advisory panel
 - Rate-regulated activities working group
 - User panel
- Receiving input from EFRAG Consultative Forum of Standard Setters (CFSS)

Influencing the IASB

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IASB due process documents

- **Objective:** best possible standard that is fit for use in Europe
- Monitoring IASB processes from start of a project
- Extensive due process in reaching a position:
 - Draft comment letter
 - Outreach, field-tests for major standards
 - Final comment letter sent to the IASB
 - Feedback statement to constituents

In the consultation process...

- EFRAG tends to
 - Comment on all proposals
 - Formulate its preferred view
 - Focus on issues that need to be addressed
 - Provide recommendations where its proposals might be rejected
- EFRAG is seeking:
 - As extensive a debate as possible
 - Final standards which are going to be **acceptable** to European constituents (in technical terms)

Recommending changes does not necessarily imply that IASB proposals are poor

IASB major projects – EFRAG activities



Project	EFRAG activities
IFRS 17 <i>Insurance Contracts</i>	Preparing for the request from the EC for endorsement advice
Macro hedging	Monitoring IASB, having undertaken outreach to understand macro hedging activities for banks' structural balances
Principles of Disclosure	Outreach events across Europe
Rate-regulated activities	Monitoring IASB progress with specialist working group
Financial Instruments with Characteristics of Equity	Assessing impact of Gamma approach on common European products
Primary Financial Statements	Assessing likely impact of IASB proposals, including consulting with users

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Endorsing IFRS Standards in the EU: role of EFRAG

EFRAG's role in endorsement



European Financial Reporting Advisory Group

- Receives EC request for advice
- Assesses whether the IFRS:
 - Meets specified technical criteria
 - Is conducive to the European public good (impact analysis for major Standards)

Advises

European Commission (initiates endorsement procedure)

Informs/
discusses

Member States - Accounting Regulatory Committee ARC (votes)

European Parliament (scrutinises and can object to endorsement) – ECON Permanent IFRS team



In the endorsement process...

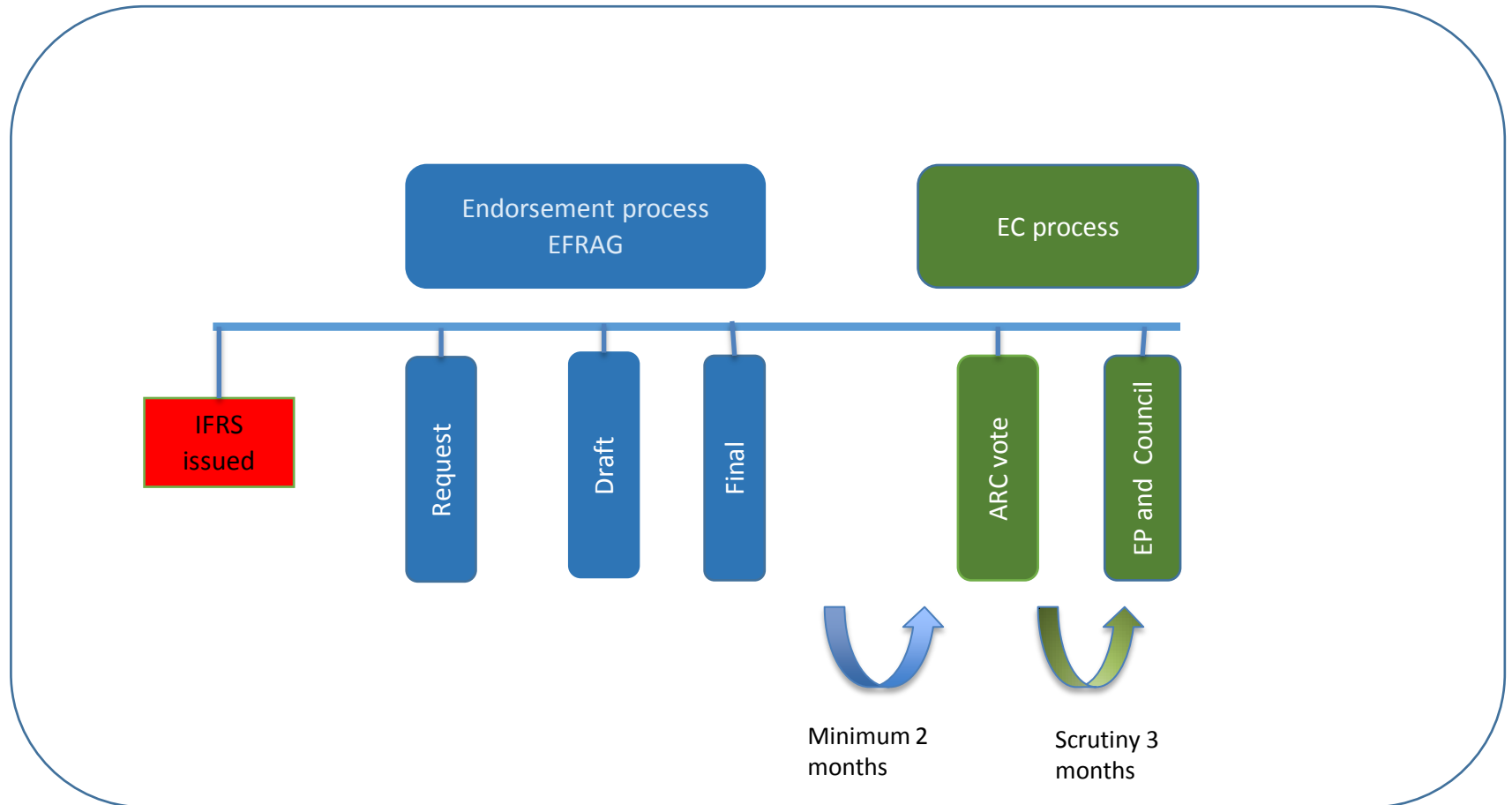
- EFRAG assesses an IFRS Standard against the criteria in the IAS Regulation
 - Meets the true and fair view principle
 - Is conducive to the European public good
- EFRAG will be delivering enhanced impact assessments (IFRS 16 pilot)

Are EFRAG's various assessments contradictory?



- **No**, they are not made against the same benchmark
 - *Optimal* solution vs *acceptable* solution
- **No**, final decisions by the IASB are generally different from original proposals
 - *The basis for assessment has changed*

Endorsement timeline



EFRAG Endorsement schedule



European Financial Reporting Advisory Group

The EU Endorsement Status Report - Position as at 13 July 2017

IASB/IFRIC documents not yet endorsed

[Revisions to this schedule are marked in bold]

	EFRAG draft endorsement advice	EFRAG endorsement advice	ARC Vote	When might endorsement be expected	IASB Effective date	Expected to be endorsed before the effective date
STANDARDS						
IFRS 14 <i>Regulatory Deferral Accounts</i> (issued on 30 January 2014)	The EC has decided not to launch the endorsement process of this interim standard and to wait for the final standard.				01/01/2016	
IFRS 16 <i>Leases</i> (issued on 13 January 2016)	✓ 14/02/2017	✓ 27/03/2017	✓ 29/06/2017	* Q4 2017	01/01/2019	▲
IFRS 17 <i>Insurance Contracts</i> (issued on 18 May 2017)	* Q1 2018	* Q3 2018			01/01/2021	
AMENDMENTS						
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (issued on 11 September 2014)	Postponed ¹				Deferred indefinitely	
Amendments to IAS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (issued on 19 January 2016)	✓ 11/04/2016	✓ 08/06/2016	✓ 03/07/2017	* Q4 2017	01/01/2017	▼
Amendments to IAS 7: <i>Disclosure Initiative</i> (issued on 29 January 2016)	✓ 11/04/2016	✓ 06/06/2016	✓ 05/06/2017	* Q4 2017	01/01/2017	▼
<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i> (issued on 12 April 2016)	✓ 17/05/2016	✓ 06/07/2016	✓ 03/07/2017	* Q4 2017	01/01/2018	▲
Amendments to IFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i> (issued on 20 June 2016)	✓ 07/10/2016	✓ 14/12/2016	* Q3 2017	* Q4 2017	01/01/2018	▲
Amendments to IFRS 4: <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> (issued on 12 September 2016)	✓ 15/11/2016	✓ 13/01/2017	✓ 29/06/2017 ²	* Q4 2017	01/01/2018	▲
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	✓ 06/02/2017	✓ 06/04/2017	* Q3 2017	* Q4 2017	01/01/2018 / 01/01/2017	▲ / ▼
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> (issued on 8 December 2016)	✓ 17/02/2017	✓ 06/04/2017	* Q3 2017	* Q4 2017	01/01/2018	▲
Amendments to IAS 40: <i>Transfers of Investment Property</i> (issued on 8 December 2016)	✓ 21/02/2017	✓ 06/04/2017	* Q3 2017	* Q4 2017	01/01/2018	▲
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> (issued on 7 June 2017)	* Q3 2017	* Q4 2017	* 2018	* 2018	01/01/2019	▲

The information shown is our current best estimate of the latest date for publication or endorsement, assuming endorsement is to occur. This information is provided to be helpful, but it is only an estimate.

¹ For more details, you can visit EFRAG's project page [here](#).

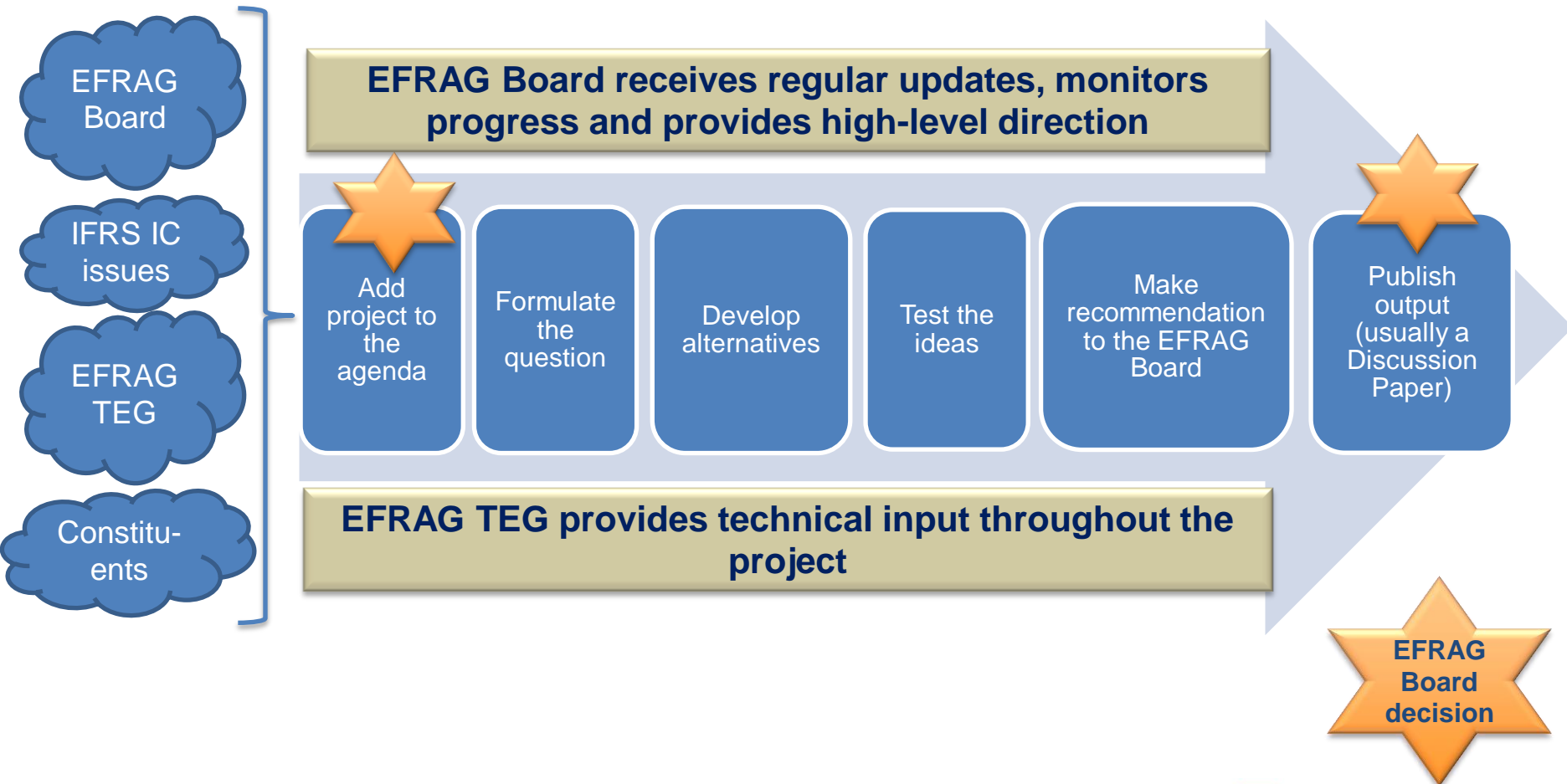
² Please see the text sent to the European Parliament and the Council of the European Union [here](#).



EFRAG proactive work

Overview of project stages (cont.)

EFRAG's Research projects



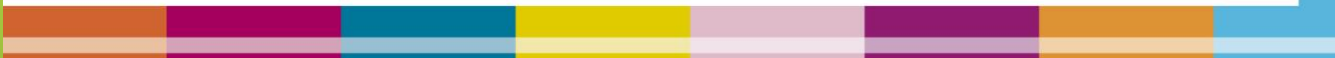
Active projects

Project	Scope
Impairment of equity instruments	EC request: <ol style="list-style-type: none">1 Likely impact of FVOCI for equity instruments held by long-term investors2 Considering need for and improvements in the accounting for equity instruments in the context of allowing recycling of FVOCI
Goodwill and impairment	Subsequent accounting for goodwill. Discussion paper <i>Goodwill impairment: can it be improved?</i> Comments due 31 December
Transactions other than exchanges of equal value	Developing scope
Pensions	Developing proposals for plans with return-based promises
Discounting with current interest rates	Co-sponsoring an academic project on discounting with ICAS



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www.EFRAG.org



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