

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

DRM core model outreach: Update Cover Note

Objective

- 1 The objective of this session is to update EFRAG TEG about the outreach planned for the Dynamic Risk Management (DRM) Core Model project of the IASB.

Background

- 2 The IASB is currently developing an accounting model to enable investors to understand a company's DRM activities and to evaluate the effectiveness of those activities. During the period July 2015 to July 2019, the IASB has developed a so-called core model: a simplified model that will form the basis of the final product. The plan is to conduct outreach based on this model to assess the viability and operability of the core model as well as consider whether it better reflects risk management and DRM activities and identify areas for improvement. Due to the impact of the Covid-19 pandemic, this outreach previously discussed with EFRAG TEG has been postponed to Q4 2020.

IASB outreach

- 3 The IASB has selected 12 of the European banks that indicated their interest via EFRAG to participate in this outreach. These banks have been selected to be representative across geographies, risk management strategies, balance sheet structure and economic and regulatory environments. Individual virtual meetings with these banks are being scheduled and the EFRAG Secretariat has been invited to attend these meetings where the participants agree. Currently, four such meetings have been scheduled and some banks have indicated that their preference would be January 2021.

EFRAG outreach

- 4 EFRAG has reached out to those banks that were not included by the IASB staff in their outreach to arrange for a similar interview using the IASB materials as basis. To date, one bank has indicated its willingness to participate while two others have indicated that they are unable to participate and the EFRAG Secretariat is following up on the remainder.

Next steps

- 5 Once the interviews have been conducted, the responses will be collated following the fieldwork policy and a summary report will be prepared and brought to EFRAG TEG and Board. This would help to ensure that the views of the banks that were not included in the IASB's outreach could inform the discussion on this topic.

EFRAG Board approval of workplan

- 6 The following was approved by EFRAG Board at its meeting of 8 October 2020:
- 7 The Dynamic Risk Management Core model outreach is now expected in October 2020 (previously Q4 2020). The IASB will not issue a due process document at this stage, however there will be a presentation by the IASB Staff of the results of the field-testing. Similarly, EFRAG Secretariat plans to discuss in public meetings the results of the field test with European preparers, both at TEG and at the Board and to issue a Report with the summary of the feedback. These discussions are tentatively planned for December but may be postponed depending on the effective timing of the IASB discussion.

Questions for EFRAG TEG

- 8 Does EFRAG TEG have any further comments or questions on this update?