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The IASB's approach to prioritising matters arising from post-implementation reviews

Cover Note

Objective

- 1 The objective of this session is to update TEG members on the IASB's deliberation of the approach to prioritising matters arising from post-implementation reviews.

Background of the IASB project

- 2 IASB is currently early in a series of post-implementation reviews while working on the analysis of the feedback to the third agenda consultation. As a result of a request in the November 2021 IASB board meeting the IASB staff was asked to support the IASB discussion about the priority of matters arising from the post implementation reviews, in relation to those matters that are identified from the agenda consultation processes.

Update on the IASB's deliberation

- 3 The IASB's approach to prioritising matters arising from post-implementation reviews was discussed in the 25 January 2022 IASB board meeting. The agenda paper used in that meeting is referred to below as the IASB staff paper and attached as paper 07-02.
- 4 Paragraph 6-8 of the IASB staff agenda paper repeat the objective of the IASB post-implementation reviews. Paragraph 8 specifies what is not the purpose of a PIR. In particular, a PIR is not intended to redeliberate information the IASB considered when it developed the new Accounting Standard nor is intended to resolve every application question.
- 5 Paragraph 9-11 of the IASB staff agenda paper describe the PIR process.
- 6 Paragraph 12-17 of the IASB staff agenda paper describe the IASB staff recommended approach to prioritising matters arising from post-implementation reviews.
- 7 The approach is described as a two-step process.
 - Paragraph 13 of the IASB staff agenda paper determines the 'whether' to consider further actions. Only issues for which at least one of the criteria in paragraph 13 are met would be eligible for future standard setting (i.e. objective not met, significant deficiency, diversity that reduces significantly comparability, costs differ significantly from the expectations).
 - Paragraph 14-16 of the IASB staff agenda paper determine how to prioritise the issues deserving standard setting. High priority issues are expected to be rare and limited to questions relating the core principles of a standard or

questions for which solutions are needed urgently. Issues with medium priority would be included in the research pipeline.

- 8 The 'what' to do is described in paragraph 17 of the IASB staff agenda paper.
- 9 Conditioned on some clarifications and directions given by the IASB board, this recommendation was approved by the agreement of 12 IASB members in the 25 January IASB board meeting.
- 10 The conditions and clarifications given by the IASB board were summarised by the IASB Chair as:
 - (a) The cost considered in determining priorities (paragraph 14(d)) should be considered in a holistic manner.
 - (b) The research pipeline applicable to medium priority matters (paragraph 14(b)) is not a medium to indeterminately defer a project from being undertaken.
 - (c) On the 'what' to do, the IASB board has an option to direct to the IFRS IC application and implementation issues. Thus, the 'what' to do list in paragraph 17 applies to items not sent to the IFRS IC.

EFRAG Secretariat assessment

- 11 The EFRAG Secretariat observes that the criteria in paragraphs 13 and 14 if applied will significantly reduce the number of projects that are eligible for an action shortly after the PIR. At the same time, EFRAG Secretariat acknowledges the competing requests to the IASB coming from the recent Agenda Consultation and from the completion of the ongoing projects.
- 12 EFRAG Secretariat also notes that a new approach has been proposed: a number of questions to IFRIC may come from the IASB following a PIR.
- 13 The EFRAG Secretariat observes that in its recent comment letter on the PIR of IFRS 9 C&M EFRAG has categorised the issues identified according to their priority, with the following having high priority:
 - (a) Application of the SPPI test to sustainable finance products. This issue is expected soon to be so pervasive in Europe that it should be treated as a separate and urgent issue;
 - (b) The IASB should expeditiously review the non-recycling treatment of equity instruments within IFRS 9;
 - (c) Some mutual funds and puttable instruments respond to market variables in a similar way to equity instruments and should be treated similarly.
- 14 Also, EFRAG has flagged the importance of a timely PIR of IFRS 17 as the regulation that endorsed IFRS 17 in Europe with a carve out has a review clause in 2027.

Questions for EFRAG TEG

- 15 Do EFRAG TEG members have any observation on the IASB's proposed approach?

Next steps

- 16 IASB staff will finalise the documentation of the IASB approach to prioritising matters arising from post-implementation reviews and post it on the IASB web site.

- 17 Guided by the agreed approach the PIR IFRS 10, IFRS 11 and IFRS 12 team will come back to the IASB board with issues to discuss.

Agenda Papers

- 18 In addition to this cover note, agenda paper 07-02 a copy of January 2022 IASB meeting agenda paper 8A – *Approach to prioritising matters arising from post-implementation reviews* – has been provided for the session.