



The UK Endorsement Board
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UKEB Draft Due Process Handbook

Dear Sir/Madam

We are responding on behalf of PricewaterhouseCoopers LLP to your invitation to comment on the draft Due Process Handbook ('the draft Handbook').

The UKEB performs a vital role in influencing and endorsing international accounting standards for use in the UK. Overall, we believe the draft Handbook provides a good framework for the UKEB's due process, and we generally support the processes described therein.

Our position

We have long been supporters of global financial reporting standards and believe that the use of IFRS as a common language has contributed to the strength of the capital markets. We are of the view that IFRS Standards are helpful for listed companies in the UK as they improve quality, comparability and reliability of financial information. Regional modifications to IFRS Standards may result in a lack of global comparability and could increase confusion to users of financial statements. We continue to support globally consistent standards and encourage endorsement of international accounting standards, without any regional modifications and carve-outs where possible.

Alignment with IASB work plan and UK-specific matters

In line with our position above, we therefore agree with paragraph 4.31 of the draft Handbook that states that the UKEB's technical work plan includes "influencing projects that include technical issues identified by the IASB" and paragraph 4.32 which further explains that "the UKEB assumes that where a technical issue is significant enough to be added to the IASB's technical work plan, similar issues exist in the UK".

However, whilst the IASB's work plan might include issues that exist in the UK, it might not necessarily include UK-specific issues which might impact full endorsement of international standards in the UK. For example, during the UKEB's technical assessment of IFRS 17 *Insurance Contracts* the issue of accounting for Reinsurance-to-Close contracts, which are specific to entities operating in the UK Lloyd's market, was

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considered. As such contractual features are isolated to the UK Lloyd's market, this was not specifically discussed by the IASB during the development and issuance of IFRS 17.

Therefore, to ensure timely endorsement with limited or no need to resort to carve-outs, it is vital that UK-specific issues are addressed through the influencing phase. Therefore in addition to reacting to the IASB work plan, the UKEB should also be proactive in identifying and addressing UK-specific issues to take to the IASB. Whilst we acknowledge UK-specific issues and the impact on UK entities is addressed in the paragraphs dealing with prioritisation of issues (paragraph 4.36 of the draft Handbook), the handbook could explicitly specify how UK-specific issues are to be identified and taken to the IASB during the influencing phase.

Timing of endorsement

In addition to the information set out in paragraph 4.36 and 4.37 on prioritisation, the UKEB could also explicitly state that it strives to endorse a new standard or amendments to standards to enable UK entities to adopt them with the same effective date as required by the IASB and that the effective date of standards as set out by the IASB is also considered amongst the factors considered when prioritising technical projects.

Thought leadership and research

Paragraphs 7.1 and 7.2 of the draft Handbook state that the UKEB is committed to leading the UK debate on international accounting standards and reporting and will achieve this by actively engaging and collaborating with UK stakeholders on areas that concern them during the process of developing its own views. Whilst thought leadership and research are important elements of the UKEB's due process, it is critical that in order to maintain global consistency of international accounting standards that any thought leadership and research does not become interpretation guidance that results in differing practices in the UK.

In addition, the meaning of 'own view' is also ambiguous. This should be clarified as it could imply that this refers to the UKEB's own interpretation of international accounting standards. Of course, through this thought leadership and research, issues may arise which the UKEB considers should be brought to the attention of the IFRS Interpretations Committee. Where necessary, these issues should be raised to the Interpretations Committee on a timely basis in order to best represent UK stakeholders' perspectives. We consider that this should be clarified in section 7.3 so that "proactive development" of standards is not mistaken for UK interpretation of standards and that the consideration of any practical application issues related to international accounting standards follows the due process of the IASB and the IFRS Interpretations Committee.

Impact of non-endorsement

We also believe that the UKEB could emphasise more explicitly that non-endorsement of international accounting standards will rarely, if ever, be the desired outcome and that in all cases the best outcome would typically be full endorsement of a standard without UK modifications and carve-outs. Paragraph 6.2 of the draft Handbook states that the objective of endorsement is to harmonise financial information and to ensure



international comparability. However, paragraph 6.7 states that Regulation 6 allows adoption of a standard in part in exceptional circumstances. This is consistent with the legal framework for endorsement, but what is currently missing from the draft Handbook is an explanation of what happens where a standard is not adopted for use in the UK (beyond a passing reference in paragraph 6.45 to when a single board member does not support endorsement). For example would there be a mandatory review period after a certain time lapse? If old standards are being used and not updated by the IASB, how does the UKEB ensure these are still fit for purpose?

Yours faithfully