

Summary of the UKEB’s Public Session held on 23 June 2022 at 10:45 via Microsoft Teams

The UKEB met remotely for the public session on 23 June 2022. The video recording of the meeting and the agenda papers have been made available on the UKEB’s website.

PRESENT:

Name	Designation
Pauline Wallace	Chair
Mike Ashley	Member
Phil Aspin	Member
Kathryn Cearns	Member
Katherine Coates	Member
Paul Lee	Member
Giles Mullins	Member
Liz Murrall	Member
Sandra Thompson	Member
Michael Wells	Member
Andrew Death	Observer from The Department for Business, Energy and Industrial Strategy (BEIS)
Alex Owen	Alternate Observer from the Financial Reporting Council (FRC)
Chris Haworth	Observer from Her Majesty’s Revenue and Customs (HMRC)
Andrew Murray	Alternate Observer from the Bank of England (BoE)
Lee Piller	Alternate Observer from the Financial Conduct Authority (FCA)

The topics discussed at that meeting, in order of discussion, were:

Declarations of interest

The Board noted the following declarations of interest:

- Katherine Coates provides advice to insurance companies, albeit not on IFRS 17; and
- Paul Lee’s employer provides advice to pension schemes on bulk annuities.

Endorsement of 2021 NSA—Approval of Draft Endorsement Criteria Assessment

The Board considered the [Draft] Endorsement Criteria Assessment (DECA) for the project to endorse and adopt the following three narrow-scope amendments issued in 2021:

- Amendments to IAS 1 [and IFRS Practice Statement 2] – *Disclosure of Accounting Policies*;
- Amendments to IAS 8 – *Definition of Accounting Estimates*; and
- Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*.

The Board noted that for each amendment included in the project, the DECA included a description and rationale, a technical criteria assessment, and an assessment of whether the

amendments would be conducive to the public good.

The Board approved the publication of the DECA on the website for stakeholder consultation, subject to minor amendments. The DECA will be published on the 4th of July 2022 and the consultation period will be open until the 3rd of October 2022. The final ECA will be brought back for the Board to consider at the November 2022 meeting.

Ongoing Monitoring of IASB Projects

The Board noted that the UKEB will commence its active monitoring of IASB activities, with discussion of key technical developments at the Board's public sessions. The Board considered and discussed a number of the agenda items expected to be included on the IASB's Accounting Standards Advisory Forum's (ASAF) meeting in July 2022. The Board's input on key areas of UK interest would be shared by the UKEB Chair and Technical Director at the ASAF meeting.

Post Implementation Review (PIR) of IFRS 9

As a result of feedback received, the IASB has decided to start a new standard setting project to clarify certain aspects of IFRS 9 *Financial Instruments* related to the "Solely Payments of Principal and Interest" (SPPI) test. The project scope will be limited to clarifying the SPPI requirements as they apply to ESG-linked features and to contractually linked features, and to considering whether additional disclosures are needed. This project is therefore expected to address two of the UKEB's main areas of concern relating to application of the contractual cash flow characteristics assessment for financial assets. The Board welcomed the IASB's efforts for addressing these issues urgently.

The Board also discussed specific application questions on IFRS 9 classification and measurement issues for which the IASB decided to perform outreach. The Board overall agreed with the Secretariat's preliminary comments as presented in the agenda paper. The FRC observer noted that the Secretariat conclusions in the paper are consistent with what they have seen during their review.

The Secretariat has commenced targeted outreach activities with UK stakeholders on the application questions, with a view to informing the UKEB project on the IFRS 9 PIR.

Financial Instruments with Characteristics of Equity (FICE)

The Board received an update on the FICE project. The IASB has been considering whether improvements should be made to IAS 32 *Financial Instruments: Presentation*, following feedback that some of its main provisions are inadequate to address presentation of increasingly complex instruments common in today's financial markets. The UKEB considered and discussed two recent tentative decisions made by the IASB in respect of: (1) financial instruments with contingent settlement provisions and (2) the effects of applicable laws on contractual terms of financial instruments. With regard to (1), the Board concurred with the UKEB Secretariat's view that the proposed clarifications will be beneficial in reducing uncertainty and enhancing consistency of application. Regarding clarification of the meaning of the term 'liquidation', the Board considered that it would be helpful if the final wording incorporated the sense that the process was irrevocable. In relation to (2), the Board confirmed that it was not aware of any significant diversity in the UK in this area.

Subsidiaries Without Public Accountability: Disclosures

The Board noted IASB's tentative decision to finalise the proposed standard with the scope as proposed in its Exposure Draft (ED) *Subsidiaries without Public Accountability: Disclosures*. The proposed standard would permit subsidiaries that do not have public accountability to apply reduced disclosure requirements, so long as they apply the recognition, measurement and presentation requirements in full IFRS Accounting Standards. The IASB tentatively decided not to extend the scope to include the individual financial statements of an ultimate parent of a group, as recommended by stakeholders including the UKEB. The Board acknowledged IASB's challenge in widening the scope beyond subsidiaries i.e. the wide range of views expressed and the need to assess the effectiveness and attractiveness of the proposed standard before opening up to a wider population of entities. The IASB had also tentatively decided to amend the definition of public accountability.

The Board discussed the potential endorsement challenges identified by the UKEB Secretariat. The proposed clarification to the definition of 'public accountability' might have implications in the context of the UK definition of a public interest entity (PIE). Under the proposed standard, an individual PIE may not have public accountability and would therefore be eligible for reduced disclosures. The UKEB may wish to consider seeking a way to prohibit such entities from providing reduced disclosures under the proposed standard. If so, a detailed consideration of the mechanism would be required. The Board also noted the issue in respect of 'equivalence' and the IASB's challenges in addressing this area given the multiple jurisdictions it had to consider in making the determination of 'equivalent'.

Other Projects

The Board received an update on other recent IASB activities on projects where the UKEB had previously provided input and comments to the IASB. The Board noted two tentative IFRS Interpretations Committee (IFRIC) decisions on the (1) Transfer of Insurance Coverage Under a Group of Annuity Contracts (IFRS 17) and (2) Cash Received via Electronic Transfer as Settlement for a Financial Asset. Both have been approved with minor drafting amendments by the IFRIC and will be presented at the July IASB Board meeting for confirmation. The 'insurance coverage' issue is expected to be confirmed. However, the 'electronic transfer' issue may prove more challenging, as it has given rise to significant stakeholder concern in the UK as well as internationally. The Board expressed some concerns regarding the agenda decision on the 'electronic transfer' issue. It was noted that the UKEB's concerns could be raised by the UKEB at a future ASAF meeting. The Board noted that due to the timings of the IASB meetings, an update on its decision on the 'electronic transfer' issue may not be available to be discussed by the UKEB until the meeting in September 2022.

Goodwill Research – Project Update and Updated PIP

The Board received an update on the UKEB's research project on the subsequent measurement of goodwill. It was noted that FASB has decided to deprioritise its project on goodwill and has paused work on it completely. In its discussion, the FASB cited the importance of convergence and would await the outcome of IASB project before taking further action. The Board also considered the feedback from the field-testing undertaken by the UKEB.

The Board considered the updated timeline of the project. The new timeline proposes to bring a draft report to the Board meeting in July for its initial consideration and a final report to the

September meeting. This is to allow more time for engagement with investors, field-testing and alignment with the IASB's timeline. The Board approved the updated Project Implementation Plan (PIP).

Items for Noting

The Board noted the Due Process Compliance Statement for the IFRS 17 endorsement project.

The Board also noted that the Secretariat will be bringing to the July meeting an amended PIP for the Intangibles Research Project that extends some of the proposed timelines.

Any other business

There was no other business discussed.

The meeting ended at 2:15pm.