UKEB
UK Endorsement Board

Summary of the Financial Instruments Working Group meeting held on 13 January 2025 from 2pm to 4:45pm

Meeting agenda

Item no.	Item
1	Welcome
2	Technical discussion: Exposure Draft Provisions – Targeted Improvements
3	Technical discussion: Contracts Referencing Nature-dependent Electricity: Amendments to IFRS 9 and IFRS 7
4	Horizon scanning
5	Any other business

Attendees

Present	
Name	**Designation**
Peter Drummond	Chair, Financial Instruments Working Group (FIWG)
Alan Chapman	FIWG member
Brendan van der Hoek	FIWG member
Helen Shaw	FIWG member (virtual attendance)
Kumar Dasgupta	FIWG member
Mark Randall	FIWG member
Mark Spencer	FIWG member (virtual attendance)
Robbert Labuschagne	FIWG member
Stacey Howard	FIWG member
Laura Kennedy	Observer (Bank of England)

In attendance	
Name	**Designation**
Pauline Wallace	Chair, UKEB
Sandra Thompson	Board member, UKEB (virtual attendance)
Tony Clifford	Board member, UKEB
Seema Jamil-O-Neill	Technical Director, UKEB

Apologies: Fabio Fabiani, Richard Crooks, Sarah Bacon.

A member of the Financial Reporting Council – Corporate Reporting Review team was present as an observer without speaking rights.

Relevant UKEB Secretariat team members were also present.

Welcome

1. The Chair of the FIWG welcomed members, the observers and those in attendance to the meeting.

Technical discussion: Exposure Draft: Provisions – Targeted Improvements

2. The session was a continuation of the technical discussion held at the FIWG July 2024[1] meeting, where the discussion was based on the IASB tentative decisions to date. At this meeting the FIWG had the opportunity to discuss the amendments as proposed in the IASB's Exposure Draft (ED) *Provisions – Targeted Improvements*.

3. The UKEB Secretariat provided an overview of the proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, with a focus on the proposed 'past-event condition' and additional guidance in relation to:

   a) obligations to transfer an economic resource only if an entity takes two (or more) separate actions [ED paragraph 14Q]; and

   b) obligations to transfer an economic resource only if a measure of its activity in a period exceeds a specified threshold [ED paragraph 14P].

---

1 See Meeting Summary FIWG 16 July 2024.

4. The Secretariat invited discussion of the potential implications for the accounting for levies. To facilitate the discussion, the UKEB Secretariat presented a possible application of the proposed amendments to the UK Bank Levy and to the Bank of England Levy:

    a) In relation to the UK Bank Levy, the FIWG noted that under the relevant legislation the levy is charged if an entity is a bank at the end of its reporting period (and holds deposits in excess of a specified allowance). The Secretariat's understanding was that if an entity ceased operating as a bank before the last day of its reporting period, there would be nil payment for the whole levy year. As a result, the FIWG tentatively concluded there was only one 'action' for purposes of the proposed amendments. The accounting outcome from the proposed amendments for the UK Bank Levy was therefore likely to be the same as currently applied under IFRIC 21 *Levies*, that is, it would be accounted for at a point in time (i.e. last day of the reporting period).

    b) In relation to the Bank of England Levy, FIWG members considered it was unclear whether the Reference Period (as per the relevant legislation) was an action or a measurement basis only for purposes of the proposed amendments.

5. In the discussion, the following was also noted:

    a) Financial institutions welcome the IASB's intention of amending the requirements in IAS 37 for changing the timing for recognition of certain levies. However, it was not clear whether the proposed amendments, as drafted, would achieve the desired outcome.

    b) Members were not certain whether the proposals were any clearer than the current requirements in IAS 37, supported by IFRIC 21.

    c) Overall, the FIWG considered that the proposed principles (e.g. identifying an action and the distinction between an action and a measurement basis) need to be made clearer, so they can be applied consistently to different fact patterns. The analysis in the proposed examples (in particular Examples 13A – 13C) also needs clarification to enhance understandability of the principles.

6. FIWG members were encouraged to share feedback on the UKEB Draft Comment Letter which is currently open for consultation. The UKEB comment deadline is 10 February 2024. The UKEB Secretariat informed members that a Final Comment Letter will be presented for Board consideration and approval at the UKEB February 2025 meeting.

Technical discussion: Contracts Referencing Nature-dependent Electricity: Amendments to IFRS 9 and IFRS 7

Scope and 'own use'

7. The UKEB Secretariat introduced an overview of the amendments to IFRS 9 and IFRS 7, and briefly summarised the endorsement process. The introduction explained the main changes from the Exposure Draft ('ED'), and highlighted several areas of concern which had been raised in the UKEB Final Comment Letter which had been addressed in the amendments.

8. In the discussion of the scope and 'own-use' aspects of the amendments, members made the following points:

    a) Members supported a view that the final amendments were a significant improvement on the ED, and the scope seemed to make sense. It was noted that the basis for conclusions expressly referred to features such as caps and floors, which was considered to be helpful.

    b) In relation to the net purchaser assessment for 'own use', the clarification on the 'reasonable amount of time' for past purchases was viewed as helpful.

    c) Battery technology and storage solutions may reduce the need for the amendments over time. However, members felt it was unlikely that corporate users of these contracts would have large battery capacity. Batteries were unlikely to address seasonal supply variations in electricity. It was not felt that the development of battery technology would make application of the amendments more complex.

Hedge accounting

9. Members considered the hedge accounting amendments, including the illustrative example, and discussed them in the light of points raised on this topic at the July 2024 FIWG meeting. The following points were made:

    a) A member felt that the illustrative example and basis for conclusions provided additional clarity, especially in relation to the recognition of hedge ineffectiveness. It was noted that while there will be complexity in applying the amendments, it was felt the principles were clear and the illustrative example was helpful.

    b) Members noted that other than permitting the use of a variable notional volume for hedge accounting for instruments within the scope of the amendments, the IASB had deviated from existing hedge accounting requirements as little as possible. It was felt that the illustrative example was helpful. While it did not address all areas where questions had been raised, this approach limited the risk of unintended consequences. It was also noted that the amendments apply only to contracts within their scope, and shall not be applied by analogy.

c) It was not clear yet how much demand there would be for the hedge accounting amendments among UK companies.

Disclosures

10. It was noted that the disclosure requirements in the amendments were significantly different from those in the ED. While a number of proposed requirements had been removed, some additional requirements had been introduced relating to the 'net purchaser' assessment.

11. A member noted the importance of consistent application of the disclosure requirements. Members did not note any significant concerns about the information required under the amendments, or the costs of producing such disclosures.

Horizon Scanning

12. The Chair asked members for information about current or emerging issues in the financial reporting environment for financial instruments, that members considered warranted discussion during this or a future meeting.

13. FIWG members suggested monitoring the following projects, currently in the IASB Work Plan (in alphabetical order):

    a) Amortised Cost Measurement (currently an IASB Research project).

    b) Dynamic Risk Management.

    c) Financial Instruments with Characteristics of Equity.

    d) IFRS 18 *Presentation and Disclosure in Financial Statements*, with a focus on its application by financial institutions.

    e) Post-implementation Review of IFRS 9 - Hedge Accounting.

Any other business

14. It was confirmed that the next FIWG meeting would be held on 1 April 2025.

15. There being no other business, the meeting closed.