

IASB Request for Information: *Third Agenda Consultation*

27 September 2021

Strategic direction and balance of the Board's activities

This agenda consultation focuses on activities within the current scope of the Board's work— financial statements and management commentary for profit-oriented companies. The Board's main activities include:

- developing new IFRS Standards and major amendments to IFRS Standards;
- maintaining IFRS Standards and supporting their consistent application;
- developing and maintaining the *IFRS for SMEs* Standard;
- supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;
- improving the understandability and accessibility of the Standards; and
- engaging with stakeholders.

In this short video, Executive Technical Director Nili Shah provides an overview of the Board's main activities. If you cannot watch the video on YouTube, you can watch it on our [website](#).

For more detail, please see [paragraphs 14–18](#) of the Request for Information.

Question 1(a)

Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.

For an overview of the Board's main activities, please see [Table 1](#) in the Request for Information or click on each activity title below. Each link opens in a new tab.

AFME response:

AFME is generally supportive of the prioritisation and balance of activities carried out by the IASB.

In the table below, we have suggested an increase in focus on understanding and accessibility of the standards. To clarify, we are not suggesting that wholesale change is necessary here, but rather an increased focus on interpretation of difficult areas.

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	Increase	Leave unchanged	Decrease
New IFRS Standards and major amendments to IFRS Standards (current level of focus: 40%-50%)		x	
Maintenance and consistent application of IFRS Standards (current level of focus: 15%-20%)		x	
The IFRS for SMEs Standard (current level of focus: 5%)		x	
Support of digital financial reporting by developing and maintaining the IFRS Taxonomy (current level of focus: 5%)		x	
Understandability and accessibility of the Standards (current level of focus: 5%)	x		
Stakeholder engagement (current level of focus: 20%-25%)		x	

Question 1(b)

Should the Board undertake any other activities within the current scope of its work?

AFME response:

As also noted in our comment letter¹ as of 29 July 2019 in the context of the review of the IFRS Foundation Due Process Handbook, AFME requests the IASB to consider developing a separate process or protocol, or streamlining its existing processes in a way that would allow the Board to prioritise and promptly address emerging critical and urgent matters. Such matters can arise due to changes in the regulatory and/or legislative environment and generally require a swift and effective response because of their wide-ranging and impactful nature (examples of such recent issues include SPPI considerations in ESG-linked loans and other debt instruments as well as accounting issues associated with IBOR reform).

¹ <https://www.afme.eu/Portals/0/globalassets/downloads/consultation-responses/AFME%20letter%20to%20comment%20on%20IFRS%20Foundation%20Due%20Process%20Handbook.pdf?ver=2019-09-11-144140-693>

Financial reporting issues that could be added to the Board’s work plan

[Appendix B](#) to the Request for Information describes financial reporting issues (potential projects) that were suggested to the Board during outreach conducted to help prepare the Request for Information. The list of potential projects is not exhaustive and does not represent a draft work plan for the Board.

In this short video, Board member Nick Anderson provides an overview of financial reporting issues that could be added to the Board’s work plan. If you cannot watch the video on YouTube, you can watch it on our [website](#).

For more detail, please see [paragraphs 24–28](#) of the Request for Information.

Question 2(a)

What priority would you give *each* of the potential projects described in [Appendix B](#)—high, medium or low—considering the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see [paragraphs 27–28](#) of the Request for Information)? If you have no opinion, please say so.

You can read the description of a potential project by clicking on the project title. Each link opens in a new tab. The survey structure requires you to select one option for each potential project.

Although not required, it would be helpful if on the next page you could provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects.

AFME response:

	High priority	Medium priority	Low priority	No opinion
1. Borrowing costs				X
2. Climate-related risks		X		
3. Commodity transactions	X			
4. Cryptocurrencies and related transactions	X			
5. Discontinued operations and disposal groups				X
6. Discounted rates				X
7. Employee benefits				X
8. Expenses – Inventory and cost of sales				X
9. Foreign currencies				X
10. Going concern				X
11. Government grants			X	
12. Income taxes				
13. Inflation				X
14. Intangible assets	X			
15. Interim financial reporting				
16. Negative interest rates			X	
17. Operating segments				X

18. Other comprehensive income				X
19. Pollutant pricing mechanisms				X
20. Separate financial statements				X
21. Statement of cash flows and related matters		X		
22. Variable and contingent consideration				X

Explanations

Although not required, please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects included in the linked project descriptions. **The Board is particularly interested in explanations for potential projects that you rate a high or low priority.**

AFME explanation:

Cryptocurrencies and related transactions (high priority): We agree with the general stakeholder feedback that cryptocurrencies are becoming more prevalent, and this is a trend that we expect to continue in the future. Therefore, we would support the IASB conducting further research and consultation to identify whether a separate accounting standard governing the accounting treatment of this asset class would be merited or whether targeted amendments to the existing standards/educational guidance would suffice.

Commodity transactions (high priority): In case the IASB were to prioritise a project on cryptocurrencies, we consider that it would also be appropriate to prioritise commodity transactions due to the similar nature of some of the associated issues.

Intangible assets (high priority): Goodwill testing remains very complex, and as goodwill is a tier deduction for banks, the cost vs benefit is negligible. We would again appreciate an amortisation option as a reasonable addition to the standard. On software there is a need for further guidance on capitalisation of assets, specifically internally generated and under agile conditions which is the new way of working. Further this is becoming more relevant for banks as digital banking applications and online banking become more prevalent.

Statement of cash flows and related matters (medium priority): We would like to reiterate a long-standing industry position that the statement of historical cash flows for the banking industry might not convey useful and relevant information to the users. We think that information on cash flow projections that is already required by existing banking regulation is a better representation of the future cash flows.

Climate related risks (medium priority): Recognition and measurement of effects of climate related risks on the financial position and performance of entities is a growing priority of investor communities, regulatory and supervisory bodies, civil societies and other stakeholders. Active measures are already being taken by policymakers, regulators and central banks globally to incorporate ESG related risks, including climate related risks, into banking risk management and supervision. Financial reporting and risk management have close ties, with major developments taking place in one field often having an impact on the other. There are indeed a number of initiatives, across nations, regions as well as globally, directed at encouraging disclosure of climate related information (mostly according to the TCFD framework). The overarching purpose of such disclosures is to facilitate information on how climate related risks can have a material effect on the business of the reporting entity – an objective that is also consistent with the broad objectives of financial reporting

and IFRS. Whilst the existing financial reporting standards have inherent constraints with regard to ability to capture long-term forward-looking information and whilst climate related risks are seen as longer term at this stage, we definitely see a merit in exploring avenues of how information on climate related risks can be consistently integrated in the mainstream accounting and reporting. Similar to cryptocurrencies, we would welcome further research and consultation process to be conducted in order to inform the scope and the overall direction of travel of a potential project on climate related risks.

Government grants (low priority): We do not think that the standard needs wholesale change, but certain targeted improvements could be made, for example to clarify which entities are defined as governments for the purposes of the standard.

Negative interest rates (low priority): We consider that amending IFRS and/or related guidance in respect of this issue is not necessary. Preparers have established adequate policies and practices.

Question 2(b)

Should the Board add any financial reporting issues not described in [Appendix B](#) to its work plan for 2022 to 2026?

You can suggest as many issues as you consider necessary taking into consideration the Board's capacity to add financial reporting issues to its workplan for 2022 to 2026 (see [paragraphs 27–28](#) of the Request for Information).

To help the Board analyse the feedback, when possible, please explain:

- (i) the nature of the issue; and
- (ii) why you think the issue is important.

AFME response:

We do not think that there are additional issues that should be added to the Board's work plan for 2022 to 2026.

Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan

The Board evaluates a potential project for inclusion in its work plan primarily by assessing whether the project will meet investors' needs, while taking into account the costs of producing the information. The Board considers seven criteria in deciding whether to add a potential project to its work plan:

- the importance of the matter to investors;
- whether there is any deficiency in the way companies report the type of transaction or activity in financial reports;
- the type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others;
- how pervasive or acute the matter is likely to be for companies;
- the potential project's interaction with other projects on the work plan;
- the complexity and feasibility of the potential project and its solutions; and
- the capacity of the Board and its stakeholders to make timely progress on the potential project.

For more detail, please see [paragraphs 19–23](#) of the Request for Information.

Question 3(a)

Do you think the Board has identified the right criteria? Why or why not?

AFME response:

We think the criteria are reasonable. We are not aware of situations where the criteria have prevented inclusion of important projects.

Question 3(b)

Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

AFME response:

We have not identified any other criteria that need to be considered.

Question 4

Do you have any other comments on the Board's activities and work plan? [Appendix A](#) provides a summary of the Board's current work plan.

AFME response:

We do not have any other comments.

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