



Basel Committee on Banking Supervision

BANK FOR INTERNATIONAL SETTLEMENTS

Chairman

Via email

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Request for Views: 2015 Agenda Consultation

Dear Hans

The Basel Committee on Banking Supervision welcomes the opportunity to comment on the *Request for Views: 2015 Agenda Consultation*. The Committee has a strong interest in high quality financial reporting by banking organisations and strongly believes that the International Accounting Standard Board's (IASB) periodic formal agenda consultation is an important step towards enhancing the transparency of the accounting standard-setting process and the accountability of the organisation.

The Committee supports the IASB's approach of splitting the work plan into three main categories, which reflect the different stages of the standard-setting process. Nevertheless, the Committee has the following comments on the proposed priorities and research agenda.

Work plan

In terms of process, the IASB sets out a work plan comprising five categories of projects: research, standards-level, conceptual framework, disclosure initiative and maintenance and implementation. Bearing in mind that the categories are not mutually exclusive – for example, maintenance can be standards-level, and a standards-level project can start with research – we question whether these categories are useful for high-level resource allocation planning. We suggest using the following categories:

- conceptual and cross-cutting;
- maintenance (including narrow amendments to standards); and
- other standards-development.

Research would be the first stage of standards-development and conceptual and cross-cutting work.

In paragraph 55 of the consultation, the IASB proposes seven factors for prioritising individual projects and allocating resources. The Committee supports

these factors but would welcome clarification on how, on that basis, the IASB can decide on the likely changes in resource allocations over the next five years as presented in paragraph 30. Specifically, it would be helpful to understand how paragraph 55(f) works in practice. It would also be helpful to know more precisely the extent and the timing of these changes in terms of resource allocations (eg what would trigger an increase in resources devoted to research projects, and when this would occur). The Committee would, for example, welcome a process that results in greater transparency on how targets have been met and how a research agenda item is possibly rescheduled before the next agenda consultation.

In terms of substance, the Committee thinks that the IASB's proposed work programme should enable it to offer a period of calm in terms of developing new standards. Nevertheless, as a top priority, the IASB should finalise within a reasonable period of time the major projects currently open (eg the revised Insurance Contracts standard, the Leases standard and the Conceptual Framework). If allocating more resources to these projects would speed them up, that should be done. These future standards as well as the recently finalised ones (IFRS 9 and IFRS 15) imply significant and very complex changes for preparers, users, auditors and other interested parties. To facilitate a proper and consistent application of these new standards, the IASB should maintain sufficient resources available at all times to deal with emerging implementation issues. This too should be regarded as a high priority.

The Committee supports the use of the current mix of implementation tools but suggests that besides improvements of standards, narrow-scope amendments and interpretation, the IASB explore other ways to swiftly address application issues without endangering the principle-based nature of IFRSs.

After suitably resourcing the projects and application issues already mentioned, the IASB should allocate remaining resources to a small number of research issues.

Research agenda

Regarding process, the Committee recognises that conducting research projects is needed for the longer-term development and maintenance of high quality standards. We believe however that there should be more transparency on the research agenda. The notion of evidence-based agenda decisions is a good one and should be applied just as much to the research projects as it is to other projects. We are also supportive of a more rigorous process for adding items to the research agenda, including providing more clarity at the outset as to what are the proposed scopes of the research projects.

With regard to substance, it is the Committee's view that some projects should be given lower priority. The IASB should discard not-relevant agenda suggestions without having to carry out research on them first. In the context of the IASB's proposed work plan, the Committee believes that the highest priority should be given to the following projects:

- *Dynamic Risk Management*, which is key for the banking sector if its financial statements are to faithfully represent the sector's economic activities. The discussion paper already contained a broad set of possibilities meaning that research is well advanced;

- *Financial Instruments with Characteristics of Equity*: the Committee is concerned that the title itself limits the scope of the project. The Committee supports engaging in a wider project, and drawing a distinction that can be applied at a detailed operational level between claims that represent liabilities and those that represent equity; and the
- *Disclosure Initiative*: the Committee supports the development of a disclosure framework which should not only ensure that an appropriate level of disclosure is required (in line with the expectation set by the Financial Stability Board), but also supports the rationalisation of and improvements to the quality of the disclosure requirements in existing standards.

The Committee believes that medium priority should be given to the following projects:

- Provisions, contingent liabilities and contingent assets;
- Discount rate;
- Post-employment benefits;
- Business combinations under common control;
- Primary financial statements; and
- Income tax.

The Committee supports the Board's proposal to remove all inactive projects from its research programme.

Other items

In question 8, the consultation document suggests that the period between agenda consultations should be extended from three to five years. The Committee does not support that suggestion. We recognise that, when judged in the context of the speed at which major projects have progressed, five years is not a long period. However, there are likely to be fewer major projects going forward. Three years seems therefore to be a reasonable period in light of the future work programme.

We trust you find these comments helpful. They have been prepared by the Committee's Accounting Experts Group, chaired by René van Wyk, Registrar of Banks, South African Reserve Bank. If you have any questions regarding our comments, please contact Mr van Wyk (+27 12 313 3601) or Xavier-Yves Zanota at the Basel Committee Secretariat (+41 61 280 8613).

Yours sincerely



Stefan Ingves