IFRS Accounting

Staff paper

Agenda reference: 9

IASB® Meeting

Date	**March 2025**
Project	**Rate-regulated Activities**
Topic	**Reduced disclosures for regulatory assets and regulatory liabilities**
Contacts	Nhlanhla Mungwe (nmungwe@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

Objective

1. The purpose of this paper is to provide information to help the IASB decide whether to develop reduced disclosures for the prospective Accounting Standard *Regulatory Assets and Regulatory Liabilities* (prospective RARL Accounting Standard).

2. This paper also outlines possible next steps if the IASB decides to develop reduced disclosures.

Staff recommendations

3. The staff recommends that the IASB confirm its proposal in the Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* to require an entity applying IFRS 19 and the prospective RARL Accounting Standard to apply all the disclosure requirements in the prospective RARL Accounting Standard.

4. If the IASB disagrees with the recommendation in paragraph 3 and instead decides to develop reduced disclosures for entities applying IFRS 19 and the prospective RARL Accounting Standard, the staff recommend that the IASB:

   (a) seek feedback on proposed reduced disclosures for entities applying IFRS 19 and the prospective RARL Accounting Standard in a stand-alone exposure draft; and

The International Accounting Standards Board is an independent standard-setting body of the IFRS Foundation, a not-for-profit corporation promoting the adoption of IFRS Standards. For more information visit www.ifrs.org.

(b) publish that exposure draft after the prospective RARL Accounting Standard has been issued.

Structure of the paper

5. This paper is structured as follows:

   (a) background (paragraphs 6–12);

   (b) feedback (paragraphs 13–23);

   (c) staff analysis (paragraphs 24–40);

   (d) Appendix A—disclosure requirement added to the prospective RARL Accounting Standard since March 2024; and

   (e) Appendix B—the principles for reducing disclosures in IFRS 19.

Background

6. At its meeting in March 2024, the IASB considered whether to develop reduced disclosure requirements for entities applying IFRS 19 and the prospective RARL Accounting Standard. Agenda Paper 9B discussed at that meeting included a staff analysis of how the disclosure requirements—based on the IASB's tentative decisions at the time—might be reduced applying the principles for reducing disclosures in IFRS 19 (see Appendix B). The staff's preliminary analysis suggested that most of the potential reductions in disclosure requirements would arise from the removal of disclosure objectives or guidance on how to apply the disclosure requirements. Consequently, the staff were of the view that application of the principles for reducing disclosures in IFRS 19 would not lead to a significant reduction in the requirements compared to the disclosure requirements in the prospective RARL Accounting Standard.

7. In March 2024, the IASB tentatively decided:[1]

   (a) not to develop reduced disclosures for the prospective RARL Accounting Standard; and

   (b) to include a question seeking stakeholders' views on the decision not to develop reduced disclosures in the Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (IFRS 19 'catch-up' Exposure Draft).

8. In July 2024, the IASB published the IFRS 19 'catch-up' Exposure Draft. The IFRS 19 'catch-up' Exposure Draft proposed amendments to update IFRS 19 for new or amended IFRS Accounting Standards issued between February 2021 and May 2024.

9. The IFRS 19 'catch-up' Exposure Draft included a proposal to require an entity applying IFRS 19 and the prospective RARL Accounting Standard to apply all the disclosure requirements in the prospective RARL Accounting Standard. To help respondents form a view on that proposal, Table 1 in the IFRS 19 'catch-up' Exposure Draft included indicative disclosure objectives and requirements for the prospective RARL Accounting Standard based on the IASB's tentative decisions. This table also highlighted the requirements that might be reduced if the IASB were to apply its principles for developing reduced disclosure requirements for entities applying IFRS 19.

10. Question 6 of the Invitation to Comment on the IFRS 19 'catch-up' Exposure Draft:

    (a) sought feedback on the IASB's proposal to require an entity applying IFRS 19 and the prospective RARL Accounting Standard to apply all the disclosure requirements in the prospective RARL Accounting Standard. If respondents disagreed with this proposal, the Invitation to Comment asked them to suggest which disclosure requirements an entity should not be required to apply;

[1] IASB Update March 2024.

(b) sought feedback on whether respondents are aware of entities, within the scope of the prospective RARL Accounting Standard, that would be eligible to apply IFRS 19; and

(c) explained that if the IASB proceeded with the proposal in (a) it would also amend paragraph 4(b) of IFRS 19 to specify that an entity is required to apply all the disclosure requirements in the prospective RARL Accounting Standard.[2]

11. Paragraphs BC32–BC37 of the Basis for Conclusions accompanying the IFRS 19 ‘catch-up’ Exposure Draft explained why the IASB decided not to propose reduced disclosure requirements for eligible subsidiaries applying the prospective RARL Accounting Standard at this stage. The reasons were:

(a) the limited potential for reducing the disclosure requirements; and

(b) the various benefits associated with delaying consideration of the reduced disclosure requirements (see paragraph BC36).

> BC36 The IASB also concluded that delaying any proposed reduced disclosure requirements for the prospective RARL Standard would have several benefits:
>
> (a) the prospective RARL Standard would introduce a new model for accounting for regulatory assets and regulatory liabilities that would be supported by its disclosure requirements; and
>
> (b) users would be able to become familiar with the proposed new model and the IASB would be able to assess the effectiveness of the associated disclosure requirements before testing the effect of reduced disclosure requirements.

12. In January 2025 the IASB discussed feedback from comment letters and outreach activities on the IFRS 19 ‘catch-up’ Exposure Draft—see Agenda Paper 32 of the

[2] The Invitation to Comment also stated that the IASB will delete paragraphs 98–102 of IFRS 19 which specify the disclosure requirements relating to IFRS 14 *Regulatory Deferral Accounts.* IFRS 14 will be withdrawn when the prospective RARL Accounting Standard is issued.

January 2025 IASB meeting. The proposals in the IFRS 19 'catch-up' Exposure Draft, except for those relating to the prospective RARL Accounting Standard, will be finalised as part of the project on updating IFRS 19. The IASB plans to issue the amendments to IFRS 19 in H2 2025 excluding those amendments relating to the prospective RARL Accounting Standard.

Feedback

13. The IASB received 33 comment letters on the IFRS 19 'catch up' Exposure Draft. Almost all respondents commented on Question 6 in the Invitation to Comment.[3]

Are you aware of rate-regulated entities that are eligible to apply IFRS 19?

14. Some respondents said that they are aware of entities that have regulatory assets and regulatory liabilities within the scope of the prospective RARL Accounting Standard that would be eligible to apply IFRS 19, while others said they were not aware of any such entities in their jurisdiction.

15. KPMG explained circumstances in which an entity might be subject to both standards.

> In the past, some entities falling under the anticipated scope of the forthcoming RARL Standard may have met part (a) of the definition [of public accountability] above because they were listed entities. However, it has become increasingly common for rate-regulated entities to be acquired by private owners such as infrastructure funds and private equity funds. As a result, many such entities de-list, and therefore are no longer publicly accountable in the context of part (a) of the definition above. Accordingly, they may qualify for reduced disclosures under the requirements of IFRS 19 if the other eligibility criteria in that Accounting Standard are met.
>
> Furthermore, a common model in some parts of the world is for a listed parent entity, that is not itself a rate-regulated entity, to own 100 percent of one or

[3] The terms used to give a broad indication of the views in the comment letters were explained in Agenda Paper 32 discussed at the January 2025 IASB meeting. The terms are: almost all, most, many, some and a few.

more subsidiaries that are rate-regulated. The rationale for this is to enable the rate-regulated subsidiaries to be transferred in their entirety to another entity should the parent company fail, or upon the occurrence of another event entailing the transfer of the licence relating to the rate-regulated business. Indeed, in some cases there may be a licence condition that all of the assets and liabilities necessary to operate the rate-regulated business be held in a separate corporate entity to ring-fence those operations.

Finally, in some countries rate-regulated entities may be subsidiaries of governmental entities that are required or have chosen to prepare their financial statements under IFRS Accounting Standards. This is another example of when a subsidiary might be required to apply the forthcoming RARL Standard and also be eligible for the reduced disclosures requirements of IFRS 19.

Do you agree that eligible subsidiaries should apply all disclosure requirements in the RARL Accounting Standard?

Supportive comments

16. Most respondents agreed with the IASB's proposal that entities applying IFRS 19 and the prospective RARL Accounting Standard should be required to apply all the disclosure requirements in the prospective RARL Accounting Standard.

17. Some of these respondents said:

    (a) requiring an entity to apply all disclosure requirements, particularly in the early years of applying the prospective RARL Accounting Standard, will help users and preparers to understand the new accounting model in the prospective RARL Accounting Standard.

    (b) removing disclosure objectives and disclosure guidance at this stage would not significantly reduce the costs for preparers of financial statements.

18. One accounting firm said reducing disclosures would lead to comparability issues between entities in the same sector, especially in the initial years of applying the prospective RARL Accounting Standard—potentially impacting key metrics and making it difficult to track performance across the sector.

19. Some respondents suggested that the IASB consults further on reduced disclosures for entities applying IFRS 19 and the prospective RARL Accounting Standard. Their suggestions on the type and timing of such further consultation varied and included:

    (a) conducting further outreach with users and preparers affected by the prospective RARL Accounting Standard—those respondents did not say when such outreach should take place.

    (b) issuing an exposure draft proposing reduced disclosures shortly after the prospective RARL Accounting Standard is issued.

    (c) undertaking further consultation after entities have had some experience applying the prospective RARL Accounting Standard.

Concerns raised

20. Some respondents—mainly a few standard-setters in Europe and Africa and a few accounting bodies in Europe and Asia-Oceania—expressed concerns about the IASB's proposal not to develop reduced disclosures for eligible subsidiaries or the rationale underlying that proposal. These respondents said:

    (a) the rationale provided by the IASB, particularly in paragraph BC36(b) of the Basis for Conclusions accompanying the IFRS 19 'catch-up' Exposure Draft, would be equally valid for any other new (major) IFRS Accounting Standard that introduces a new model of accounting (paragraph 11(b)).

    (b) the IASB's proposal could be seen as establishing a precedent whereby all new IFRS Accounting Standards or amendments will require full disclosures without reductions for eligible subsidiaries. They recommended the IASB consider on a case-by-case basis whether the disclosure requirements introduced by a new IFRS Accounting Standard or an amendment should be reduced for eligible subsidiaries.

21. Some respondents suggested the proposal not to develop reduced disclosures could result in significant implementation costs for eligible subsidiaries, some of which could be avoided if reductions were permitted from the beginning. They also said that

delaying a reduction in disclosures would be inconsistent with paragraph BC109 in the Basis for Conclusions accompanying IFRS 19, which says that subsidiaries applying IFRS 19 should be able to benefit from any reduced disclosures as soon as they apply a new or amended IFRS Accounting Standard.

Which disclosure requirements in the RARL Accounting Standard should an eligible subsidiary not be required to apply?

22. A few respondents said they were unable to make an informed assessment at this stage as to which disclosure requirements would be relevant to an eligible subsidiary applying IFRS 19 and the prospective RARL Accounting Standard because the prospective RARL Accounting standard has not yet been finalised.

23. However, a few respondents provided feedback on potential reduced disclosures:

    (a) an accounting body suggested that:

        (i) the requirement to disclose a detailed reconciliation of the opening and closing balances of regulatory assets and regulatory liabilities could be simplified to require only a summary reconciliation focusing on material changes.

        (ii) the requirement to provide an explanation of how risks and uncertainties affect the recovery of regulatory assets or the fulfilment of regulatory liabilities could be tailored to focus only on material risks that have the potential to significantly impact the cash flows or financial performance.

    (b) A few respondents disagreed with the suggestion in the IFRS 19 'catch-up' Exposure Draft that an eligible subsidiary might be permitted not to disclose information about the nature of unrecognised regulatory assets and unrecognised regulatory liabilities. They said these disclosures provide information about commitments, contingencies and measurement uncertainty.

Staff analysis

24. The staff analysis is structured as follows:

    (a) whether the IASB should develop reduced disclosure requirements for entities applying IFRS 19 and the prospective RARL Accounting Standard (paragraphs 25–35); and

    (b) if the IASB decides to develop reduced disclosures, how and when it could do so (paragraphs 36–40).

Should the IASB develop reduced disclosures?

25. Feedback on the IFRS 19 'catch-up' Exposure Draft indicates that some entities would be eligible to make use of reduced disclosures (paragraphs 14–15). We therefore think it is appropriate to consider whether to develop reduced disclosure requirements for entities applying IFRS 19 and the prospective RARL Accounting Standard.

26. The advantage of developing reduced disclosures for entities applying the prospective RARL Accounting Standard would be that doing so would:

    (a) be consistent with the IASB's decision to develop IFRS 19. If IFRS 19 is not updated to include reduced disclosures for entities applying the prospective RARL Accounting Standard, it may become less attractive to those entities. However, the staff note that these entities would still benefit from the reduced disclosure requirements related to other IFRS Accounting Standards.

    (b) reduce some of the costs associated with preparing and auditing disclosures. Reducing such costs, while still providing useful information to users of financial statements, is consistent with the objective of IFRS 19.

27. However, as mentioned in paragraphs 16–17, most respondents agreed that the IASB should not reduce disclosure requirements for the reasons outlined in the Basis for Conclusions accompanying the IFRS 19 'catch-up' Exposure Draft, mainly that:

(a) any reductions in disclosure requirements would be limited and hence would not significantly reduce costs for preparers of financial statements; and

(b) the disclosures required by the prospective RARL Accounting Standard are needed to help users of financial statements understand the new accounting model for regulatory assets and regulatory liabilities.

28. The staff continue to think that any reductions in disclosure requirements would be limited. At the March 2024 meeting, the IASB discussed a preliminary analysis of the disclosures that could be reduced applying the principles for reducing disclosures in IFRS 19. This analysis is included in the appendix of Agenda Paper 9B discussed at the March 2024 IASB meeting. The analysis in that paper concluded that any reductions in the disclosure requirements for entities applying the prospective RARL Accounting Standard would be limited and therefore the cost savings for those entities would also be limited. Most of the potential reductions in disclosure requirements would arise from the removal of disclosure objectives or guidance on how to apply the disclosure requirements.

29. Since the March 2024 meeting, the IASB tentatively decided to require an additional disclosure described in Appendix A to this paper. The staff think that, applying the principles for reducing disclosures in IFRS 19, the additional disclosure would not be reduced. The principles for reducing disclosures in IFRS 19, which the staff used to determine which disclosures to include in IFRS 19, are included in Appendix B of this paper.

30. We also think that any cost savings would come from reduced preparation and audit costs rather than reduced implementation costs (paragraph 21). For example, the prospective RARL Accounting Standard will require information about the balance of regulatory assets and regulatory liabilities and changes in those balances. Entities will need to collect this information regardless of how much detail they are required to disclose about those balances and changes in them.

31. Although the potential reduction in disclosures is limited, permitting reduced disclosures would nevertheless mean that users of financial statements would have

less information to fully understand the new accounting model for regulatory assets and regulatory liabilities in the Standard.

32. The staff acknowledge the stakeholder concerns described in paragraph 20 that not reducing disclosures for the prospective RARL Accounting Standard could be seen as establishing a precedent whereby all new IFRS Accounting Standards or amendments will require full disclosures without reductions for eligible subsidiaries. However, we think that the prospective RARL Accounting Standard is an unusual case:

    (a) using the principles for reducing disclosures in IFRS 19, any reductions in disclosure requirements would be limited; and

    (b) the population of entities that would be applying the prospective RARL Accounting Standard and IFRS 19 is likely to be small so it is unlikely that reducing the disclosure requirements would benefit many entities.

Recommendation

33. Based on the analysis in paragraphs 25–32, we recommend that the IASB confirm its proposal to require an entity applying IFRS 19 and the prospective RARL Accounting Standard to apply all the disclosure requirements in the prospective RARL Accounting Standard.

34. We note that the IASB could revisit the question of whether to develop reduced disclosures in a few years, possibly during the post-implementation review of the prospective RARL Accounting Standard. This would allow the IASB to consider the need for reduced disclosure requirements alongside the more general feedback on the prospective RARL Accounting Standard.

Questions for the IASB
1. Does the IASB agree with the staff recommendation in paragraph 33?

35. If the IASB disagrees with the recommendation in paragraph 33 it will need to consider next steps. The next section considers possible courses of action.

How and when the IASB could reduce disclosures

36. If the IASB decides to develop reduced disclosures for entities applying IFRS 19 and the prospective RARL Accounting Standard, the IASB could either:

    (a) reduce disclosures based on the feedback from the IFRS 19 'catch-up' Exposure Draft; or

    (b) develop reduced disclosures based on the feedback from a new stand-alone exposure draft.

37. We do not recommend that the IASB reduce disclosures based on the feedback received from the IFRS 19 'catch-up' Exposure Draft because:

    (a) only a few stakeholders provided feedback on which disclosures the IASB could include in IFRS 19 for entities applying IFRS 19 and the prospective RARL Accounting Standard (paragraph 23). Most stakeholders did not provide feedback on which reduced disclosures should be included in IFRS 19 because they agreed with the IASB's proposal to require an entity applying IFRS 19 and the prospective RARL Accounting Standard to apply all the disclosures requirements in the prospective RARL Accounting Standard (paragraphs 16–17). Consequently, it was unnecessary for these stakeholders to comment on which reduced disclosures to include in IFRS 19.

    (b) a few stakeholders said that they were unable to make an informed assessment of which disclosures should be included in IFRS 19 at this time because the prospective RARL Accounting standard has not yet been finalised (paragraph 22). They suggested that the IASB consider further consultation once the prospective RARL Accounting Standard has been issued.

38. We do not think the IASB received sufficient feedback from the IFRS 19 'catch-up' Exposure Draft to make decisions about reduced disclosures. We, therefore, think the IASB should not finalise reduced disclosures without further consultation and instead recommend the IASB seek feedback on proposed reduced disclosures in a stand-alone exposure draft.

Questions for the IASB
2. Does the IASB agree with the staff recommendation in paragraph 38?

Timing of a stand-alone exposure draft

39. If the IASB decides to publish a stand-alone exposure draft, the staff recommend publishing that exposure draft after the prospective RARL Accounting Standard has been issued. This approach would enable stakeholders to provide feedback on the proposed reduced disclosure requirements based on the disclosure requirements in the issued RARL Accounting Standard rather than on a draft of those requirements. The staff note that some respondents to the IFRS 19 'catch-up' Exposure Draft suggested this approach (paragraph 19(b)).

40. We acknowledge that publishing an exposure draft after the prospective RARL Accounting Standard has been issued would delay the availability of reduced disclosures for entities wishing to apply the prospective RARL Accounting Standard early. However, as the prospective RARL Accounting Standard has an effective date of 1 January 2029, the staff think it should be possible to finalise reduced disclosure requirements before the effective date of the prospective RARL Accounting Standard.

Questions for the IASB
3. Does the IASB agree with the staff recommendation in paragraph 39?

Appendix A—Disclosure requirement added to the prospective RARL Accounting Standard since March 2024

A1. Since the March 2024 IASB meeting, the IASB made tentative decisions to include an additional disclosure requirement in the prospective RARL Accounting Standard.[4] This additional disclosure requires that:

> if an entity applies the exemptions from discounting estimated future cash flows or from applying the minimum interest rate requirements, the entity should disclose this fact and disclose the carrying amounts of regulatory assets and of regulatory liabilities at the end of the reporting period to which it has applied these exemptions.

A2. We think this disclosure requirement provides information that would help users better understand an entity's accounting policy choices and may help them better predict future cash flows. Consequently, we are of the view that applying the principles for reducing disclosures in IFRS 19 (see Appendix B) this disclosure would be included in IFRS 19.

[4] The IASB also tentatively decided to require some disclosures on transition to the prospective RARL Accounting Standard. However, entities will only be required to make these disclosures once.

Appendix B—The principles for reducing disclosures in IFRS 19

B1. Paragraph BC33 of the Basis for Conclusions accompanying IFRS 19 sets out the principles for reducing disclosures:

> BC33 In developing the *IFRS for SMEs* Accounting Standard, the IASB acknowledged it was difficult to assess the disclosure requirements to include in that Standard. In developing the Exposure Draft and then IFRS 19, the IASB was guided by the six broad principles it used for the disclosure requirements in the *IFRS for SMEs* Accounting Standard:
>
> (a) users of the financial statements of eligible subsidiaries are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not they are recognised as liabilities.
>
> (b) users of the financial statements of eligible subsidiaries are particularly interested in information about liquidity and solvency.
>
> (c) information on measurement uncertainties is important for eligible subsidiaries.
>
> (d) information about an entity's accounting policy choices is important for eligible subsidiaries.
>
> (e) disaggregations of amounts presented in eligible subsidiaries' financial statements are important for an understanding of those statements.
>
> (f) some disclosures in IFRS Accounting Standards are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical eligible subsidiaries.