

**Report on the carrying out of functions designated under the
International Accounting Standards and European Public Limited-
Liability Company (Amendment etc.) (EU Exit) Regulations 2019**

*Presented to Parliament pursuant to Section 12 of the International Accounting Standards
and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019*

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Introduction

1. The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (the “IAS Regulations”) came into force at the end of the Transition Period on 31 December 2020, following the UK’s exit from the EU.
2. The IAS Regulations brought into UK law all existing international accounting standards as adopted by the EU at the end of the Transition Period to form UK-adopted international accounting standards. They also provided the Secretary of State with the powers to adopt international accounting standards for use in the UK, and provided for these powers to be delegated to a designated UK body.
3. Regulation 12 of the IAS Regulations requires the Secretary of State to lay a report in Parliament on the carrying out of his functions under the IAS Regulations within one year of the Regulations coming into force, and annually thereafter.
4. This report fulfils the requirement under Regulation 12. The next report is due by 31 December 2022.

Adoptions of international accounting standards

5. Since the IAS Regulations came into force, the Secretary of State has adopted a number of amendments to international accounting standards which are detailed below.

Adoption of Amendments to International Financial Reporting Standards 9, 7, 4 and 16, and International Accounting Standard 39

6. The amendments “Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)” (“the IBOR 2 Amendments”) were issued by the IFRS Foundation as a consequence of the global regulatory reform of interbank offered rates, including the transition from London Interbank Offered Rate (LIBOR) to the Sterling Overnight Index Average (SONIA) as an interest rate benchmark in the UK. Changes were made to several “IFRS”/ “IAS” Standards to account for modifications of hedge accounting relationships, and financial contracts or products moving to the new benchmark. The IBOR 2 Amendments apply to all entities that have such financial contracts or products (in particular, banks).

7. The UK Endorsement Board (UKEB) Secretariat was tasked with providing advice on the adoption of the IBOR 2 Amendments to the Secretary of State. The UKEB Secretariat assessed the IBOR 2 Amendments against each of the criteria under the basis for adoption in Regulation 7 of the IAS Regulations. They also consulted a representative range of stakeholders interested in the quality and availability of accounts in accordance with Regulation 8 of the IAS Regulations. Their advice to the Secretary of State was that the IBOR 2 Amendments satisfied the basis for adoption. The Secretariat's assessment and their conclusions can be found here: <https://assets-eu-01.kc-usercontent.com/99102f2b-dbd8-0186-f681-303b06237bb2/90da6fec-57f3-4869-be3f-d45ed2d25ebb/IBOR-2-Final-ECA.pdf>.
8. The IBOR 2 Amendments were subsequently adopted by the Secretary of State, for use in the UK, on 5 January 2021. Application of the IBOR 2 Amendments to UK-adopted international accounting standards is mandatory for financial years beginning on or after 1 January 2021, with application to financial years beginning before 1 January 2021 permitted.
9. Regulation 11 of the IAS Regulations requires a review of the impact of the adoption of a standard where that standard is considered to be a "significant change in accounting practice". Following the delegation of certain functions relating to the adoption of international accounting standards for use in the UK to the UKEB on 22 May 2021, the UKEB will be responsible for establishing its policy on the meaning of a "significant change in accounting practice" and will determine whether the IBOR 2 Amendments trigger a review of the impact under that policy.
10. Further information, including the UKEB Secretariat's endorsement criteria assessment, is available on the UKEB's website: <https://www.endorsement-board.uk/>.

Adoption of Amendment to International Financial Reporting Standard 4

11. The "Amendments to IFRS 4—Extension of the Temporary Exemption from Applying IFRS 9" ("Amendment to IFRS 4") was issued by the IFRS Foundation following the deferral of the effective date of *IFRS 17 Insurance Contracts* until financial years beginning on or after 1 January 2023. The Amendment to IFRS 4 permits insurance companies, which meet certain eligibility criteria, to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement*, rather than being required to implement IFRS 9 *Financial Instruments* until financial years beginning on or after 1 January 2023, so that the switch maintains alignment with the effective date of IFRS 17.
12. The Amendment to IFRS 4 was issued to prevent insurers from having to implement IFRS 9 two years ahead of IFRS 17. This mismatch would result in accounting discrepancies between financial assets (measured in accordance

with IFRS 9) and insurance liabilities (not yet measured in accordance with IFRS 17).

13. The UKEB Secretariat assessed the Amendment to IFRS 4 against each of the criteria under the basis for adoption in Regulation 7 of the IAS Regulations. They also consulted a representative range of stakeholders interested in the quality and availability of accounts in accordance with Regulation 8 of the IAS Regulations. Their advice to the Secretary of State was that the Amendment to IFRS 4 satisfied the basis for adoption. The Secretariat's assessment and their conclusions can be found here: <https://assets-eu-01.kc-usercontent.com/99102f2b-dbd8-0186-f681-303b06237bb2/f86b0f1d-c9f2-4850-a84c-d0d9128db4c3/ECA-Amend-to-IFRS-4.pdf>.
14. The Amendment to IFRS 4 was subsequently adopted by the Secretary of State, for use in the UK, on 5 January 2021. Application of the Amendment to IFRS 4 to UK-adopted international accounting standards is effective for financial years beginning before 1 January 2023.
15. As with the review of the of the adoption of the IBOR 2 Amendments above, the UKEB will be responsible for establishing its policy on the meaning of a "significant change in accounting practice" and will determine whether the Amendment to IFRS 4 triggers a review of the impact under that policy.
16. Further information, including the UKEB Secretariat's endorsement criteria assessment, is available on the UKEB's website: <https://www.endorsement-board.uk/>.

Adoption of Amendment to International Financial Reporting Standard 16

17. The "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)" ("the March 2021 IFRS 16 Amendment") was issued by the IFRS Foundation to update IFRS 16 *Leases* in light of the continuing COVID-19 pandemic. It extended, for one year, an optional exemption for lease holders from assessing whether a rent concession, such as a rent holiday or rent reduction, related to COVID-19 and meeting certain conditions, was a lease modification. The intention of the exemption was to reduce the reporting burdens for the lease holder by removing the need for them to perform the recalculations to account for COVID-19 related lease modifications. The original exemption applied for financial years beginning on or after 1 June 2020 and expired for rent forgiven after 30 June 2021. The March 2021 IFRS 16 Amendment extended this optional exemption by one year to rent payments due on or before 30 June 2022.
18. The Secretariat assessed the March 2021 IFRS 16 Amendment against each of the criteria under the basis for adoption in Regulation 7 of the IAS Regulations. They also consulted a representative range of stakeholders interested in the quality and availability of accounts in accordance with

Regulation 8 of the IAS Regulations. Their advice to the Secretary of State was that the March 2021 IFRS 16 Amendment satisfied the basis for adoption. The Secretariat's assessment and their conclusions can be found here: <https://assets-eu-01.kc-usercontent.com/99102f2b-dbd8-0186-f681-303b06237bb2/426b62ef-738e-480f-a684-7d1e396c4a8a/ECA-Covid-19-rent-related-concession-beyond-30Jun2021.pdf>.

19. The March 2021 IFRS 16 Amendment was subsequently adopted by the Secretary of State, for use in the UK, on 12 May 2021. Application of the March 2021 IFRS 16 Amendment to UK-adopted international accounting standards is voluntary for all financial years (the March 2021 IFRS 16 Amendment became effective on 1 April 2021, with earlier application permitted).
20. As with the review of the adoption of the IBOR 2 Amendments above, the UKEB will be responsible for establishing its policy on the meaning of a "significant change in accounting practice" and will determine whether the March 2021 IFRS 16 Amendment triggers a review of the impact under that policy.
21. Further information, including the UKEB Secretariat's endorsement criteria assessment, is available on the UKEB's website: <https://www.endorsement-board.uk/>.

Delegation of the Secretary of State's functions to the UK Endorsement Board

22. On 22 May 2021, the International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 designated the UKEB as the body to undertake certain functions of the Secretary of State in the IAS Regulations. All of the Secretary of State's functions in Chapter 3 of Part 2 of the IAS Regulations were delegated to the UKEB, with two exceptions. These were:
 - a. Regulation 7(3) – the power to amend matters that must be taken into account when deciding whether use of a Standard is conducive to the long term public good in the UK; and
 - b. Regulation 12 – the Secretary of State's duty to report to Parliament annually.
23. As set-out in the Memorandum to the IAS Regulations, the Government's intention had long been to enact this delegation. Work to develop the UKEB had been underway since 2018, and the UKEB Board held its inaugural meeting on 26 March 2021.
24. The Secretary of State is satisfied that the UKEB has fulfilled its responsibilities. Since the UKEB was provided its statutory responsibilities it has undertaken work in anticipation of future adoption decisions on international accounting standards. However, the UKEB Board is yet to undertake an adoption decision. In addition to adoption projects, the UKEB

has also conducted projects to influence the development of international accounting standards, as well as research and thought leadership work. This is in line with the UKEB's delegated responsibility to participate in and contribute to a single set of international accounting standards under Regulation 5 of the IAS Regulations.

25. More information on the UKEB's work, include updates on its workplan, is available on its website: <https://www.endorsement-board.uk/>.
26. Under Regulation 17 of the IAS Regulations, the UKEB is required to report annually to the Secretary of State on the discharge of its delegated functions. The Secretary of State is in turn required to lay copies of these reports before Parliament. The UKEB's first report to the Secretary of State is due before 22 May 2022.