

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: March 6–9, 2018

From: Dave Warren/Ross Smith

Agenda Item 9

For:

☐ Approval

☒ Discussion

☒ Information

PUBLIC SECTOR SPECIFIC FINANCIAL INSTRUMENTS

Project summary	To consider the appropriate accounting treatment for items in scope of the public sector specific financial instruments project.	
Meeting objectives	Topic	Agenda Item
Project management	Instructions up to March 2018 Meeting	9.1.1
	Decisions up to March 2018 Meeting	9.1.2
	Project Roadmap	9.1.3
	Project Background	9.1.4
Discussion Items at this meeting	Staff Proposals Related to June 2017 IPSASB Decisions	9.2.1
	Proposed Options to Address Public Sector Specific Financial Instruments Transactions	9.2.2
	Project Management Proposal	9.2.3
Other supporting items	Report Back document on the June 2017 CAG Discussions on the Public Sector Specific Financial Instruments Project	9.3.1

Agenda Item 9.1.1

INSTRUCTIONS UP TO MARCH 2018 MEETING

Meeting	Instruction	Actioned
June 2016	All instructions provided up until June 2016 or earlier were reflected in the Consultation Paper on Public Sector Specific Financial Instruments .	

DECISIONS UP TO MARCH 2018 MEETING

Date of Decision	Decision
June 2016	All decisions made up until June 2016 or earlier were reflected in Consultation Paper, Public Sector Specific Financial Instruments .
June 2017	<ul style="list-style-type: none">• The full analysis of the responses to the CP should be considered together with the responses received to ED 62.• It was agreed that staff should explore the options for dealing with transactions in the current financial instruments standards and provide a recommendation on the way forward (possibly to be included as either authoritative guidance or non-authoritative guidance).• The IPSASB should provide staff with the flexibility to consider practical approaches to deal with the transactions in additional guidance in other standards, rather than seeking a perfect conceptual approach, given the very specific and complicated transactions in scope of the CP and the advice of CAG members.• The scope of the project should not be broadened.

PROJECT ROADMAP

Meeting	Objective: IPSASB to consider:
March 2018	<ol style="list-style-type: none"> 1. Review of Responses 2. Discussion of issues
June 2018	<ol style="list-style-type: none"> 1. Review of Responses 2. Discussion of issues
September 2018	<ol style="list-style-type: none"> 1. Discussion of issues
December 2018	<ol style="list-style-type: none"> 1. Discussion of issues 2. Review of draft ED
March 2019	<ol style="list-style-type: none"> 1. Discussion of issues 2. Review of draft ED
June 2019	<ol style="list-style-type: none"> 1. Discussion of issues 2. Approval of draft ED
September 2019	Out for consultation
December 2019	
March 2020	<ol style="list-style-type: none"> 1. Review of Responses 2. Discussion of issues
June 2020	<ol style="list-style-type: none"> 1. Review of Responses 2. Discussion of issues
September 2020	<ol style="list-style-type: none"> 1. Discussion of issues 2. Review of Draft IPSAS
December 2020	<ol style="list-style-type: none"> 1. Discussion of issues 2. Approval of Draft IPSAS

PROJECT BACKGROUND

1. IPSAS 28, *Financial Instruments: Presentation*, IPSAS 29, *Financial Instruments: Recognition and Measurement* and IPSAS 30, *Financial Instruments: Disclosures* are based on the IASB's financial instruments standards as at December 31, 2008.
2. The project to develop IPSAS 28, IPSAS 29, and IPSAS 30 identified several items which have public sector specific characteristics. Some items identified may meet the definition of a financial instrument, while others do not.
3. IPSAS 28, IPSAS 29 and IPSAS 30 were issued in January 2010. Since then, the IASB has issued IFRS 9, *Financial Instruments*. The IPSASB issued Exposure Draft (ED) 62, *Financial Instruments* in August 2017 to update the IPSASs on financial instruments to maintain convergence with IFRS. The items identified as "public sector specific financial instruments" are noted below, along with information on where they have been addressed or where they are being considered. The first four items in the table (shaded) are referred to collectively as the transactions in scope of the Consultation Paper (CP), [Public Sector Specific Financial Instruments](#), which the IPSASB published in July 2016.

Public Sector Financial Instruments Topics	How and Where Each Topic Considered
Monetary gold	Public sector specific financial instruments project – chapter included in July 2016 Consultation Paper (CP).
Special Drawing Rights (SDRs)	Public sector specific financial instruments project – chapter included in July 2016 CP.
International Monetary Fund (IMF) quota subscription	Public sector specific financial instruments project – chapter included in July 2016 CP.
Currency in circulation	Public sector specific financial instruments project – chapter included in July 2016 CP.
Concessionary loans	Application guidance included in IPSAS 29, and retained in ED 62.
Financial guarantee contracts	Application guidance included in IPSAS 29, and retained in ED 62.
Statutory payables	Revenue and non-exchange expenses projects – included in CP published in summer 2017.
Statutory receivables	Revenue and non-exchange expenses projects – included in CP published in summer 2017.
Public sector specific securitizations	Application guidance included in ED 62.

4. The IPSASB published a CP in July 2016: [Public Sector Specific Financial Instruments](#), that considers the recognition and measurement from the perspective of the IPSASB Conceptual Framework, of the following:
 - (a) Monetary gold;
 - (b) Currency in circulation;
 - (c) IMF quota subscription; and
 - (d) Special drawing rights.

Scope of the Project

5. When the project brief was approved, the original scope was wider than that of the current project, and also included public sector specific securitizations as well as statutory payables and receivables. As the project developed, the IPSASB considered that some transactions were more appropriately dealt with in other projects.
6. The transactions in the scope of the project and CP may relate to either the central government (government department or ministry), or the central bank (which may apply national or international financial reporting standards for the private sector). The government departments, ministries and central banks that deal with these transactions are known collectively as 'monetary authorities'. The CP specifically notes the following in paragraph 1.8: *"Some topics in scope of the CP apply to specific entities such as central banks, which may apply national or international financial reporting standards for the private sector. Central banks are important to the public sector, and it is therefore important for the IPSASB to consider developing guidance for these entities. Central banks often form part of the public sector as they are controlled and consolidated into the financial accounts of the central government, regardless of whether they apply national or international financial reporting standards for the private sector."*
7. When the project was approved the rationale for the project was as follows:
 - (a) The issues were noted as likely to only impact a small number of entities (central government or central bank), but the transactions were expected to be significant and material to those entities;
 - (b) The lack of authoritative accounting guidance for the transactions in scope of the project was thought to promote diverse accounting outcomes.
8. The public interest need for the project was further refined in paragraph 1.7 of the CP as follows:

"The items included in this project have public interest implications because of their significance to the public sector and the service delivery objectives of public sector entities. These issues are important because they allow users to assess public sector entities' ability to:

 - *Deliver services effectively;*
 - *Manage the resources used and available to provide services; and*
 - *Manage liquidity and solvency."*
9. The IPSASB considered an analysis and summary of respondents to the CP, as well as the issue of the scope of the project, including some views from the June 2017 CAG discussions. The agenda

papers discussed at the June 2017 meeting are available at:
<http://www.ipsasb.org/system/files/meetings/files/Public-Sector-Financial-Instruments-Issues-Paper-June-2017-Issues.pdf>. The key decisions from the IPSASB June 2017 meeting are noted in [9.1.2](#).

Staff Proposals Related to June 2017 IPSASB Decisions

Purpose

- Whether the board agrees with the staff proposals related to the June 2017 IPSASB Decisions.

Detail

- In June 2017 the IPSASB considered a summary of responses to the June 2016 CP on public sector specific financial instruments (PSSFI)¹. The IPSASB also received CAG member views on the scope of the project from its June 2017 discussions.
- The CAG² discussions focused on the appropriate scope of the PSSFI project, given the lack of consensus on this issue in the CP responses. The advice from the CAG to the IPSASB highlighted:
 - That the CP scope should be followed;
 - The guidance developed should be aligned with the core financial instruments standards to the extent possible; and
 - The board should take a pragmatic approach, rather than a conceptual approach to developing guidance in order to limit the use of board and staff resources.
- The IPSASB considered the CAG advice in its discussion on the scope of the project and agreed the following decisions noted in **Table 1**, with a corresponding staff proposal on next steps.

Table 1

IPSASB Decision June 2017	Staff Proposals
Decision 1. The full analysis of the responses to the CP should be considered together with the responses received to ED 62.	Proposal 1. Staff should complete the full analysis of the CP comments and deliberate these with the Task Force. The staff recommendation is that this analysis and deliberation occur after the new core financial instruments standard is approved. The staff view is that the pragmatic approach and options to consider for developing guidance for the PSSF transactions are dependent on the final standard resulting from ED 62 consultation.

¹ The June 2017 Issues Paper on the high level response analysis to the Consultation Paper, *Public Sector Specific Financial Instruments* can be found here: <http://www.ipsasb.org/system/files/meetings/files/Public-Sector-Financial-Instruments-Issues-Paper-June-2017-Issues.pdf>.

² The June 2017 CAG Paper on the scope of the PSSFI project: http://www.ipsasb.org/system/files/meetings/files/Agenda-Item-6-Public-Sector-Financial-Instruments-CAG-Paper_Final.pdf.

IPSASB Decision June 2017	Staff Proposals
<p>Decision 2. It was agreed that staff should explore the options for dealing with transactions in the current financial instruments standards and provide a recommendation on the way forward (possibly to be included as either authoritative guidance or non-authoritative guidance).</p>	<p>Proposal 2. The staff proposal for developing guidance is noted in Issues Paper 9.2.2.</p>
<p>Decision 3. The IPSASB should provide staff with the flexibility to consider practical approaches to deal with the transactions in additional guidance in other standards, rather than seeking a perfect conceptual approach, given the very specific and complicated transactions in scope of the CP and the advice of CAG members.</p>	<p>Proposal 3. The staff proposal for managing the project is noted in Issue Paper 9.2.3.</p>
<p>Decision 4. The scope of the project should not be broadened.</p>	<p>Proposal 4. The IPSASB has already agreed to maintain the scope of the project as set out in the CP based on the initial review of responses in June 2017. Therefore, when staff completes the full analysis of the CP comments, it will consider those comments related to modifying the scope of the project as closed.</p>

Decision Required

Does the IPSASB agree with the staff proposals 1 and 4?

Proposed Options to Address Public Sector Specific Financial Instruments Transactions

Purpose

1. Whether the board agrees with the staff proposals for the options to consider for dealing with the PSSFI transactions in the core financial instruments standards³.

Detail

2. As noted in Issues Paper 9.2.1, the IPSASB: *agreed that staff should explore the options for dealing with transactions in the current financial instruments standards and provide a recommendation on the way forward (possibly to be included as either authoritative guidance or non-authoritative guidance).*
3. Informed by the IPSASB decision highlighted in paragraph 2, staff proposes an approach for the IPSASB's consideration that focuses on if the PSSFI transactions satisfy the definition of a financial instrument in ED 62 to determine the type of guidance to develop. See [Appendix 9.2.2](#) for a decision tree and the options to consider under this approach.
4. The staff recommendation, based on the different options set out in [Appendix 9.2.2](#), is as follows:
 - (a) For those PSSFI transactions that satisfy the definitions in the core financial instruments standards, staff proposes that guidance is developed for inclusion in the non-authoritative material of the standard (illustrative examples and implementation guidance), [option 2](#) in [Appendix 9.2.2](#). This will help those applying the standards understand how the principles are applied to account for the transactions in a resource efficient manner.
 - (b) For those PSSFI transactions that do not satisfy the definitions in the core financial instruments standards, staff proposes that an appendix be developed that applies the core financial instruments requirements by analogy, [option 4](#) in [Appendix 9.2.2](#). This option allows for guidance to be developed in a pragmatic way, which will allow users/preparers to understand how to treat PSSFI transactions.
5. In determining whether the PSSFI transactions satisfy the definitions in the core financial instruments standard, the Task Force will consider the characteristics of each type and the responses received to the CP. The staff view is that the proposed approach is the most pragmatic way of developing guidance for PSSFI transactions to help those in applying IPSAS.

Decision Required

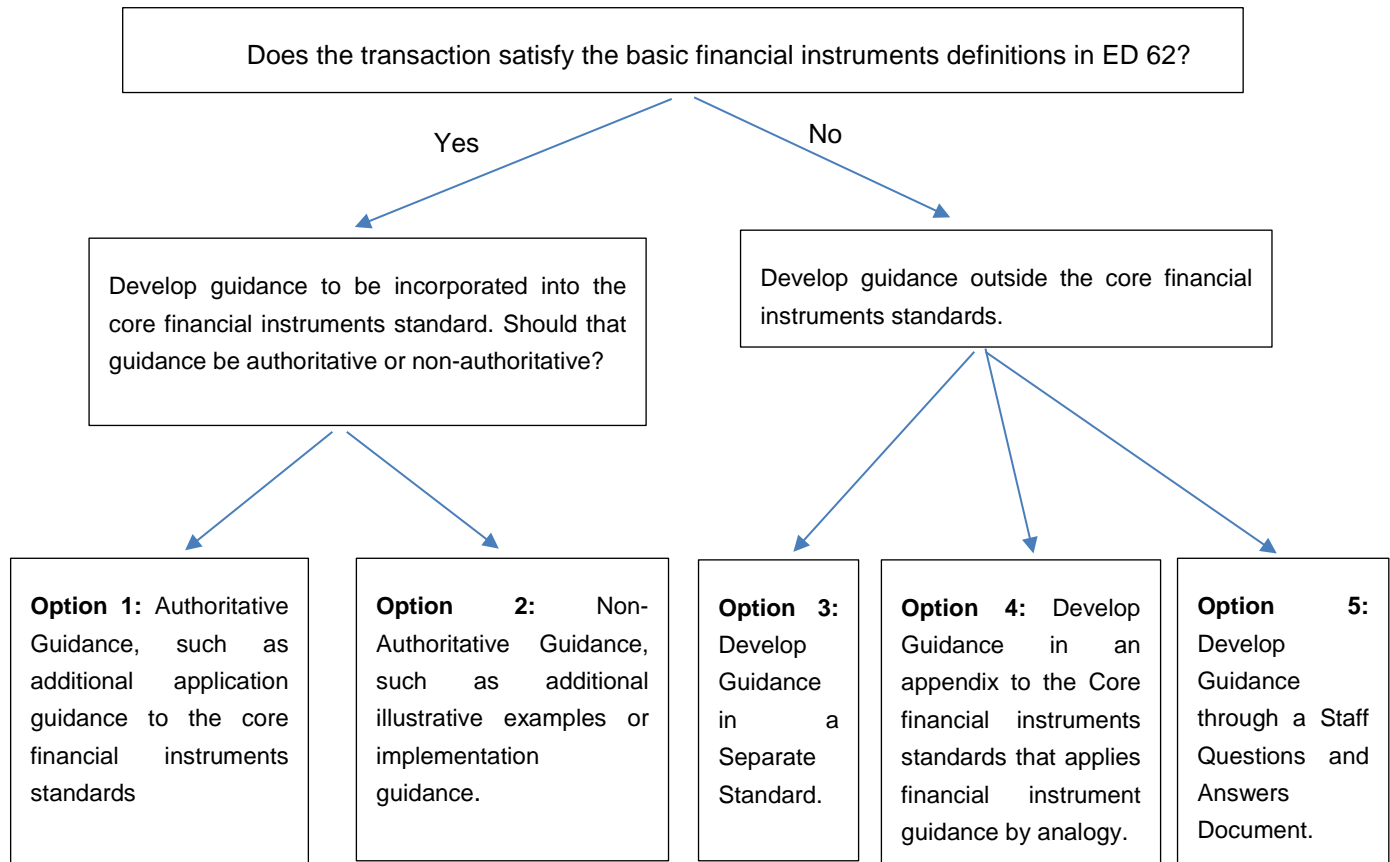
The IPSASB is asked to:

- Agree with the staff recommendation to follow option 2 for PSSFI transactions that satisfy the financial instruments definitions and follow option 4 for those that do not; and

³ The reference to 'core financial instruments standards' for the purposes of this Issues Paper includes IPSAS 28-30, *Financial Instruments* and the guidance proposed ED 62, *Financial Instruments* which is expected to be finalized in mid-2018 and will form the revised guidance on financial instruments in IPSAS.

- Agree that the Task Force should consider the transactions, their characteristics and the responses to the CP in determining which option to follow when developing guidance.

Decision Tree to Determine Approach to Developing Guidance for PSSFI Transactions



Options Explained with Staff Analysis

1. Option 1—Authoritative Guidance, such as additional application guidance added to the new financial instruments standard based on ED 62.
 - (a) Staff Analysis. This option would mean developing additional application guidance for those instruments that satisfy the financial instruments definitions to help those in applying the principles to the transactions. The staff view is that developing additional application guidance in the core financial instruments standards may be time consuming and resource intensive, further it is unlikely to be feasible for all of the PSSFI transactions.
2. Option 2—Non-Authoritative Guidance, such as additional illustrative examples and implementation guidance incorporated into non-authoritative material of the new financial instruments standard based on ED 62.
 - (a) Staff Analysis. This option would mean developing additional guidance in the core financial instruments standard in the non-authoritative sections (illustrative examples and implementation guidance). This approach is likely to be more pragmatic than option 1, as it would not require modifications to the core principles. However, it is questionable if non-authoritative guidance would be appropriate for all PSSFI transactions, as even guidance in

the non-authoritative portion of the standards should satisfy the core financial instruments definitions.

3. Option 3—Guidance in a separate standard that builds off of the new financial instruments standard based on ED 62.
 - (a) Staff Analysis. This option would be to develop a separate standard that compliments the core financial instruments standard. It would have a limited scope and address only the transactions in the PSSFI project. This option would require the most resources, as it would require full definitions and recognition, measurement and disclosure requirements, along with other supporting material. It is questionable if this approach is consistent with the approach agreed by the IPSASB to be pragmatic.
4. Option 4—Develop Guidance in an appendix to the core financial instruments standards that applies financial instrument guidance by analogy.
 - (a) Staff Analysis. This option could be undertaken for those items which do not satisfy the financial instruments definitions. An appendix to the core financial instruments standards could be developed that sets requirements by analogy, drawing upon the guidance in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* which states in paragraph 14: “...management shall refer to, and consider the applicability of, the following sources in descending order: (a) The requirements in IPSASs dealing with similar or related issues; and (b) The definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in other IPSASs.” Staff notes that the IASB has taken a similar approach in IFRIC 12, *Service Concession Arrangements* in BC 14, where it notes that application by analogy would be appropriate under the IASB hierarchy when dealing with private-to-private partnerships, which have not been addressed in IFRIC 12 (which deals with public-to-private partnerships).
5. Option 5—Develop guidance through a staff questions and answers document.
 - (a) Staff Analysis. This is the least resource intensive option and the most pragmatic approach. However, it is questionable if this is considered guidance and would be appropriate to address the transactions in the PSSFI project.
6. The staff view is that the Task Force should consider these options in greater detail and make a recommendation to the IPSASB on the appropriate approach to developing guidance for each transaction.

Project Management Proposal

Purpose

1. Whether the Board approves of the proposed project management approach.

Detail

2. As noted in Issues Paper 9.2.1, the IPSASB agreed that it: *should provide staff with the flexibility to consider practical approaches to deal with the transactions in additional guidance in other standards, rather than seeking a perfect conceptual approach, given the very specific and complicated transactions in scope of the CP and the advice of CAG members.*
3. The staff recommendation is that the IPSASB delegate responsibility for developing the ED to the financial instruments Task Force. The Task Force will highlight any key issues for the IPSASB's consideration during the review to support its approval of the ED. This innovative approach builds on the process followed in the development of ED 62, *Financial Instruments*.
4. This approach is proposed for the following reasons:
 - (a) **Complexity and limited number of entities which deal with such transactions.** Unlike traditional IPSASB projects, there is a limited number of members with experience in accounting for the PSSFI instruments. This diminishes Board discussions and may not be the best use IPSASB plenary agenda time.
 - (b) **Link to the core financial instruments standards.** The IPSASB staff propose that the same Task Force is used for both financial instruments projects. This Task Force has the financial instrument knowledge needed to decide how the transactions might be best addressed when considering the options set out in [Issues Paper 9.2.2](#).
 - (c) **Application of existing principles.** Based on the IPSASB decisions noted in Issues Paper 9.2.1, this project will interpret existing IPSAS principles and their applicability to PSSFI transactions. Therefore, staff views that absent the development of new principles to address these transaction, that delegation of this work the Task Force is an efficient use of IPSASB resources.
 - (d) **IPSASB Decision.** The IPSASB agreed in June 2017 to consider innovative and practical approaches to develop guidance for these transactions. The IPSASB has a number of high profile projects and a busy agenda for 2018, this approach allows this project to proceed efficiently while needing limited agenda time.
5. The IPSASB is asked to agree the following:
 - (a) Delegate to the Task Force responsibility to undertake a detailed review of responses;
 - (b) Delegate to the Task Force the responsibility to develop the project options and how they should relate to the core financial instruments standards.
 - (c) Delegate to the Task Force the development of the ED.
6. From a due process perspective, even if the IPSASB agrees to delegate the tasks noted in paragraph 5, the IPSASB would still be required to approve the ED by a vote during a meeting. However, the

Task Force would highlight any key issues and decisions for the IPSASB consideration, when reviewing and approving the ED.

7. Staff has developed a tentative plan for Task Force discussions for the remainder of 2018 related to the PSSFI project, see the [Appendix 9.2.3](#) to this Issues Paper.

Direction Required

Does the IPSASB agree with the staff proposal on project management?

Agenda Item

Appendix-9.2.3

Appendix 9.2.3 – Task Force Plan PSSFI Project

- The below tentative schedule is the main activities related to Task Force discussions to occur after ED 62 is approved (which for the purposes of this table has been estimated to occur in June 2018).

August 2018 - Teleconference	<p>Discussion of key issues highlighted in responses for each topic in the PSSFI project.</p> <p>Discussion of feasibility of options noted in Issues Paper 9.2.2 for each PSSFI transaction type.</p>
Monday September 17, 2018	<p>In person task force meeting prior to the IPSASB meeting. Agree on the option to address the transactions, so that a draft ED can begin to be developed.</p> <p>Consideration and analysis of responses during the Task Force meeting.</p> <p>Discussion on ED development, specifically related to definitions.</p>
Mid-October 2018 Teleconference	Discussions on ED development, specifically related to recognition and measurement.
Mid-November 2018 Teleconference or In person Meeting TBD	<p>Discussions on ED development, specifically related to disclosures and examples.</p> <p>Review draft of ED.</p>
December 2017 IPSASB meeting	<p>Report back to IPSASB Task Force identified key issues for consideration by the IPSASB.</p> <p>Review and approval of the draft ED by the IPSASB.</p>

June 2017 CAG Discussions on the Public Sector Specific Financial Instruments Project

1. Extracts from the draft minutes of the June 2017 CAG meeting and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2017 CAG Meeting Comments	
<p>IPSASB Deputy Director, Ross Smith, introduced the agenda item and outlined the history of the public sector specific financial instrument project and provided a high level overview of the responses to the Consultation Paper issued in July 2016. The overview of responses focused on the scope of the potential next steps the IPSASB might consider in moving the project forward, informed by the range of potential options shared by respondents. Mr. Smith introduced the potential options available for the next phase of the project, and discussed the links with the other financial instrument project (ED 62, <i>Financial Instruments</i>). He then explained the IPSASB's decision to delay the full review of responses until the responses to ED 62, <i>Financial Instruments</i>, are reviewed by the Board in early 2018.</p> <p>The CAG members commented as follows:</p>	
<ol style="list-style-type: none"> 1. Mr. Matthews noted that there is no such thing as a small project and highlighted that there are more pressing issues than those covered in the public sector specific financial instruments project. He commented that appropriate guidance already exists in his opinion. However, his view is that if guidance is developed, the IPSASB is right body to address the issue. 	<p><i>Point Noted.</i> The IPSASB has agreed to take the approach advocated for in comment #4 below. This approach is expected to minimize IPSASB Staff and Board resources.</p>
<ol style="list-style-type: none"> 2. Ms. Colignon noted that there is little appetite to deal with the issue by other standard setters. She acknowledged that IPSASB may be right body, but also that there is already guidance from other organizations available (System of National Accounts, International Investment Position and Balance of Payments Manual, Government Finance Statistics, etc.). 	<p><i>Point Noted.</i> The IPSASB has agreed to take the approach advocated for in comment #4 below.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>3. Ms. Cearns agreed that the IPSASB is the right body to develop the guidance contemplated in the project. She noted that other guidance may be available, however, that guidance may not be coming from the same perspective and may present results differently. Her view is that the CP scope should be followed, but should be integrated into the IPSASB's existing financial instruments guidance. She also noted that only the IPSASB has a user focus in mind when developing guidance.</p>	<p><i>Agreed.</i> The IPSASB has agreed to address the issues covered in the Public Sector Specific Financial Instruments CP as additional guidance to the core financial instruments guidance.</p>
<p>4. Ms. Cearns noted it is important to articulate the similarities and differences between the issues covered in the public sector specific financial instrument projects, and more common financial instruments. This could help with developing accounting guidance for these very specific transactions, by developing accounting requirements by analogy to more common financial instruments.</p>	<p><i>Agreed.</i> The IPSASB has agreed to take a pragmatic approach to consider the issues covered in the Public Sector Specific Financial Instruments CP (PSSFI CP). As suggested the similarities and differences between the issues covered in the PSSFI CP and more common financial instruments will be followed to develop accounting guidance, by developing requirements by analogy to more common financial instruments. The IPSASB staff believes that appropriate accounting guidance can be developed in a timely manner using this approach.</p>
<p>5. Mr. Carruthers, noted that if the responses are reviewed together with the responses to ED 62, <i>Financial Instruments</i>, it would present an opportunity to consider the question of what the real problem is and how guidance can address the problem.</p>	<p><i>Point Noted.</i> The IPSASB agreed at its June 2017 meeting to consider the responses to the Public Sector Specific Financial Instruments CP together with the comments from ED 62.</p>
<p>6. Mr. Kraff noted that the IPSASB could choose to do nothing, as existing IPSAS cover financial instruments transactions adequately. However, his view is that developing additional guidance following the scope of the CP, would help to provide more useful guidance to those dealing with these transactions.</p>	<p><i>Agreed.</i> The IPSASB agreed at its June 2017 meeting to follow the approach suggested by the CAG member in comment #4 above.</p>

Representatives' and Observers' Comments	IPSASB Response
7. Ms. Cearns shared her view that a comprehensive Central Bank accounting framework would not be something the IPSASB should undertake. She noted that the dividend payment issue (the central government in most cases receives dividends from the central bank, which can lead to capitalization issues), is no different than any parent and subsidiary dividend issue, so the justification for changes in the Central Bank accounting requirements for dividends based on accounting profit does not seem justifiable.	<i>Agreed.</i> The IPSASB's view is consistent with this comment. The IPSASB does not believe it is the right body to undertake development of a comprehensive Central Bank accounting framework. Further, the IPSASB agrees that the dividend distribution issue is a regulatory issue, rather than a problem with the accounting requirements.
8. Mr. Matthews questioned if there are any audit disputes, or variance in accounting treatments, related to issues covered in the CP that are known by the IPSASB. Mr. Smith noted that there are differences in the measurement of monetary gold (historical cost, fair value, and statutory rates). There are also differences related to the recognition of a liability for coins in circulation, with some jurisdictions not recognizing a liability while others do.	<i>No further action required.</i>
9. Mr. Gisby noted that if there are divergences in accounting treatments, then there is definitely a role for IPSASB. His view is that the current scope of the CP should be followed.	<i>Agreed.</i> The IPSASB agreed at its June 2017 meeting to follow the approach suggested by the CAG member in comment #4 above.
10. Ms. Cearns noted that in her view these instruments are not all that unique, or public sector specific. Therefore, her view is that following the guidance set out in the core financial instruments standards should be appropriate.	<i>Agreed.</i> In following the approach to develop guidance noted in comment #4 above, consideration will be given as to the nature of the issues being considered and if the core financial instruments standards can be applied.
11. Mr. van Schaik noted that the IMF is the body primarily responsible for central banks and that the IMF recommends IFRS. He also noted that central banks and local regulators are responsible for determining which standards should be followed. For example, the European Central Bank (ECB) regulates the national central banks for the members of the European Union. In his view the ECB accounting framework required to be followed by central banks is not a good option, from the user perspective.	<i>Point Noted.</i> The IPSASB agreed at its June 2017 meeting to follow the approach suggested by the CAG member in comment #4 above.

Representatives' and Observers' Comments	IPSASB Response
<p>12. Mr. Page noted that a public interest issue to consider is the significant growth of central bank balance sheets as a result of the current monetary policy decisions. This growth in balance sheets is an important issue that financial instruments standards help to highlight.</p>	<p><i>Point Noted.</i> The IPSASB agreed at its June 2017 meeting to follow the approach suggested by the CAG member in comment #4 above. The IPSASB staff notes that the core financial instrument standards in IPSAS require the recognition and measurement of all financial assets and liabilities on a gross basis, and therefore provide the information to understand the growth in the balance sheets of central banks.</p>
<p>13. Mr. Stanford commented on the likelihood of the IASB doing work in this space, given that many central banks follow IFRS or national standards based on IFRS. He noted that IPSASB staff have discussed this project with the IASB, and that one or two members of the IASB had interest in this space. However, there appeared to be very little support for the IASB to take this onto their agenda at this time.</p>	<p><i>Point Noted.</i> The IPSASB agreed at its June 2017 meeting to follow the approach suggested by the CAG member in comment #4 above.</p>
<p>14. Mr. Smith thanked the CAG for the useful feedback. In particular, it was noted that the IPSASB should look to develop guidance in this space, but should look to minimize the resources expended by linking the requirements to the current financial instruments standards. He noted that a pragmatic approach, analyzing the issues and developing guidance by analogy to more common financial instruments was advocated by CAG members as being in the public interest.</p>	<p><i>No further action required.</i></p>

Matters for CAG Consideration

- Representatives and Observers are asked to note the Report Back above.

Appendix

Project: Public Sector Specific Financial Instruments

Summary

	CAG Meeting	IPSASB Meeting
Review of Responses to of Consultation Paper, <i>Public Sector Specific Financial Instruments</i>	June 2017 December 2017 (report back)	June 2017

CAG Discussions: Detailed References

IPSASB Staff Discussion with the CAG – Review of Responses	<u>June 2017 CAG Discussions</u> See IPSASB CAG meeting material: http://www.ipsasb.org/system/files/meetings/files/Agenda-Item-6-Public-Sector-Financial-Instruments-CAG-Paper_Final.pdf
--	---