

Agenda Item 5: Public Sector Specific Financial Instruments

Marc Wermuth, Task Force Chair

Dave Warren, Principal

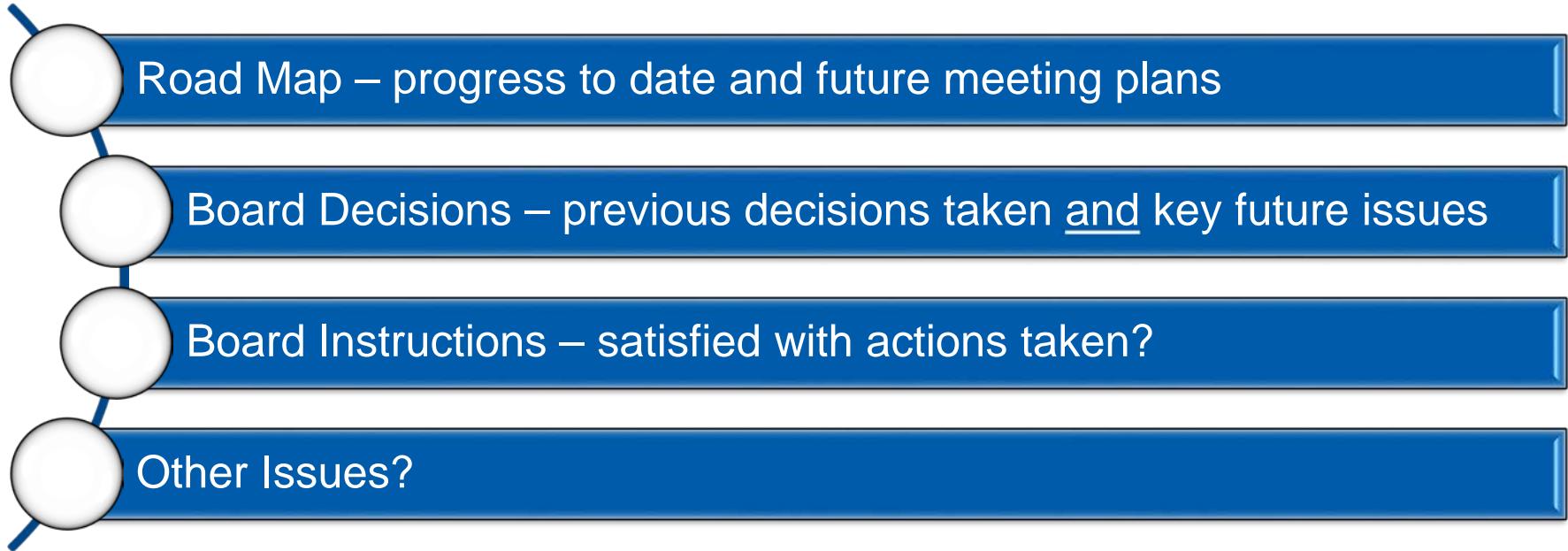
Ross Smith, Deputy Director

IPSASB Meeting

Toronto, Canada

June 18–21, 2019

Project management: Stocktake



Session Outline



Project Background (1/2)

Development of Consultation Paper (June 2015 – June 2016)

Decisions

- Project Scope
- Preliminary Views
- Specific Matters for Comment

Development of Exposure Draft (October 2018 – June 2019)

Decisions

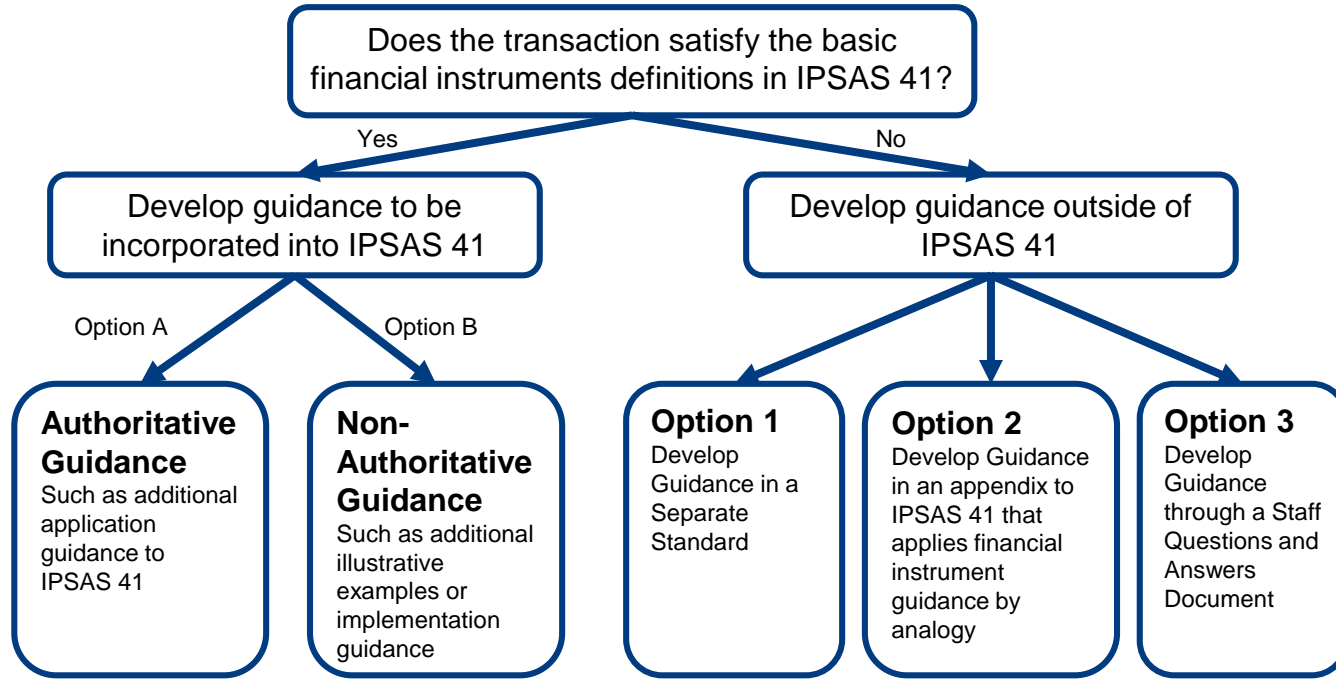
- Whether the definition of a financial instrument is met
- How to account for each instrument using FI principles
- Type of guidance for each instrument

Analysis of Responses (June 2017 – October 2018)

Decisions

- Complete IPSAS 41, then analyze PSSFI
- Be practical
- Delegate to Task Force
- Maintain project scope

Project Background (2/2)



Development of ED 69 (Agenda Item 5.2.1)

Face to Face

(October 22-24, 2018)

- Whether the definition of a financial instrument is met
- How to account for each instrument
- Type of guidance to develop

Teleconference Two

(May 24, 2019)

- Agreed unanimously to recommend the document for Board approval

Teleconference One

(May 17, 2019)

- Reviewed Exposure Draft
- Proposed amendments for staff to action

Monetary Gold (Agenda Item 5.2.2) (1/2)

Monetary Gold – *does not meet the definition of a financial asset*

- *Shares characteristics with a financial asset*
- *Apply the financial instruments principles to monetary gold when appropriate*

Task Force Recommendation

- Add the following guidance to IPSAS 41:
 - Implementation Guidance B.1.A to address whether monetary gold meets the definition of a financial instrument; and
 - Basis for Conclusions 18A–18E to highlight why it may be appropriate to apply the financial instruments principles to monetary gold compared with other financial statement items.

Monetary Gold (Agenda Item 5.2.2) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Currency in Circulation (Agenda Item 5.2.3) (1/2)

Currency in circulation – *a financial liability exists when:*

- *Legislation, or a sovereign power, outlines the obligation to exchange currency;
and*
- *The currency is issued.*

Task Force Recommendation

- Add the following guidance to IPSAS 41:
 - Implementation Guidance B.1.1.1 to outline when issuing currency satisfies the financial instrument criteria

Currency in Circulation (Agenda Item 5.2.3) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

IMF Quota Subscriptions (Agenda Item 5.2.4) (1/2)

IMF Quota Subscriptions – *meet the definition of a financial asset because the member is repaid its contribution when it withdraws from the IMF (a contractual right to receive cash).*

Task Force Recommendation

- No additional guidance necessary
- Illustrative Example 32 in IPSAS 41 already outlines the considerations required in evaluating how to account for such an instrument

IMF Quota Subscriptions (Agenda Item 5.2.4) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Special Drawing Rights (Agenda Item 5.2.5) (1/2)

Special Drawing Rights –

- *SDR Holdings meet the definition of a financial asset because they are convertible into cash (a contract to receive cash); and*
- *SDR Allocations meet the definition of a financial liability because holders must stand ready to provide cash (a contract to deliver cash)*

Task Force Recommendation

- Add the following guidance to IPSAS 41:
 - [Implementation Guidance B.1.1.2](#) for SDR holdings to support constituents in evaluating whether SDR holdings meet the definition of a financial instrument; and
 - [Implementation Guidance B.1.1.3](#) for SDR allocations to support constituents in evaluating whether SDR allocations meet the definition of a financial instrument

Special Drawing Rights (Agenda Item 5.2.5) (2/2)

Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?

Approval of ED 69 (Agenda Item 5.2.6)

The IPSASB is asked to:

- Confirm it is satisfied there are no additional issues to be discussed by the IPSASB at this time;
- Confirm the title of the document is appropriate;
- Approve [draft] IPSAS [X] (ED 69), *Amendments to IPSAS 41, Financial Instruments*, for comment; and
- Confirm an exposure period ending December 31, 2019.



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