



International Federation of Accountants

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Agenda Item

6

Committee: IAASB
Meeting Location: San Francisco
Meeting Date: December 7-10, 2009

Auditing Complex Financial Instruments

Objective of Agenda Item

1. To consider significant issues in the revision of IAPS 1012.¹

Task Force

2. The Task Force comprises:
 - John Fogarty, Chair, IAASB Deputy Chair
 - Jon Grant, IAASB Member and Member of UK Auditing Practices Board (APB) Working Party on Complex Financial Instruments
 - Tomokazu Sekiguichi, IAASB Member
 - Gregory Fletcher, US Public Company Accounting Oversight Board
 - John Hughes, KPMG and Chair of UK APB Working Party on Complex Financial Instruments
 - Tom Omberg, Deloitte
 - Marc Pickeur, IAASB CAG Representative for the Basel Committee on Banking Supervision
3. The International Valuation Standards Council has also been invited to join the Task Force but has not yet nominated a representative.
4. The Task Force met via teleconference in October and November 2009 to discuss issues and revised the working draft of IAPS 1012.

Background and Activities since Last IAASB Discussion

5. At its September 2009 meeting, the IAASB approved the issuance of a Consultation Paper on auditing complex financial instruments. The Consultation Paper included the UK APB's Practice Note 23² as an Appendix to solicit views on whether their recently issued guidance would be suitable in an international context.

¹ International Auditing Practices Statements (IAPS) 1012, "Auditing Derivative Financial Instruments."

² Practice Note 23, "Auditing Derivative Financial Instruments," issued in April 2002 and based on IAPS 1012.

6. Responses to the Consultation Paper are expected by January 15, 2010. In order to progress the project in the interim, the Task Force has been discussing issues relating to the revision of IAPS 1012, using the APB's work as a starting point. **Agenda Item 6-A** outlines these issues and asks the IAASB for direction in a number of areas.
7. **Agenda Item 6-B** is presented for reference purposes only to illustrate matters included in Agenda Item 6-A. Accordingly, it is not anticipated that the IAASB will discuss the content of Agenda Item 6-B at its December 2009 meeting. The Task Force intends to further revise Agenda Item 6-B based on the IAASB's consideration of the matters set forth in Agenda Item 6-A, as well as the responses received from the Consultation Paper. A "first read" of the revised IAPS 1012 is planned for the March 2010 IAASB meeting. At that time, a summary of the significant comments received on the Consultation Paper will be presented.

Material Presented

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| Agenda Item 6-A | Auditing Complex Financial Instruments – Issues and IAASB Task Force Proposals dated December 2009 |
| Agenda Item 6-B | Auditing Complex Financial Instruments – Draft IAPS 1012 Marked Showing Changes from APB Practice Note (FOR REFERENCE PURPOSES ONLY) |

Action Requested

8. The IAASB is asked to consider the issues presented in **Agenda Item 6-A**, and to provide input and direction to the Task Force on the way forward.