Agenda Item 5: Public Sector Specific Financial Instruments

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IPSASB Meeting
Toronto, Canada
June 18–21, 2019
Public Sector Specific Financial Instruments

Project management: Stocktake

Road Map – progress to date and future meeting plans

Board Decisions – previous decisions taken and key future issues

Board Instructions – satisfied with actions taken?

Other Issues?
Session Outline

- Project Background
- Development of ED 69 (Agenda Item 5.2.1)
- Public Sector Specific Financial Instruments (Agenda Item 5.2.2 - 5.2.5)
- Approval of ED 69 (Agenda Item 5.2.6)
### Public Sector Specific Financial Instruments

## 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 PSSFIs
- Be practical
- Delegate to Task Force
- Maintain project scope
Project Background (2/2)

Does the transaction satisfy the basic financial instruments definitions in IPSAS 41?

Yes
- Develop guidance to be incorporated into IPSAS 41
  - Option A: Authoritative Guidance
    - Such as additional application guidance to IPSAS 41
  - Option B: Non-Authoritative Guidance
    - Such as additional illustrative examples or implementation guidance

No
- Develop guidance outside of IPSAS 41
  - Option 1: Develop Guidance in a Separate Standard
  - Option 2: Develop Guidance in an appendix to IPSAS 41 that applies financial instrument guidance by analogy
  - Option 3: Develop Guidance through a Staff Questions and Answers Document
Public Sector Specific Financial Instruments

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 One
(May 17, 2019)
• Reviewed Exposure Draft
• Proposed amendments for staff to action

Teleconference Two
(May 24, 2019)
• Agreed unanimously to recommend the document for Board approval
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.
Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?
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
Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?
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
Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?
Public Sector Specific Financial Instruments

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
Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?
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.