IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

25 November 2015

Ref: 15/59

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: The IASB's Exposure Draft on the Conceptual Framework for Financial Reporting

Dear Mr. Hoogervorst,

The International Association of Insurance Supervisors (IAIS) welcomes the opportunity to comment on the International Accounting Standard Board (IASB)'s exposure draft *Conceptual Framework for Financial Reporting* (the ED).

We support the IASB's approach in updating, improving and filling in gaps of the existing Conceptual Framework instead of fundamentally reconsidering all aspects of it.

The IAIS supports the continued identification of relevance and faithful representation as the two fundamental qualitative characteristics of financial reporting within the Conceptual Framework. In addition to that, good progress has been made in giving more prominence to the objective of stewardship and the reintroduction of prudence. We welcome the reinstatement of the clearly articulated concept of prudence as it was in the previous Conceptual Framework, as this will allow for the continued development of standards on a consistent and conceptually sound basis. We also welcome introducing the notion of reporting the economic substance of commercial rights and obligations. On measurement uncertainty, we would caution against the inclusion of text that might result in under-recognition of liabilities, and believe that disclosure plays a key role in communicating uncertainty to users.

We support the IASB's statement that, if an existing Standard works well in practice, it will not propose an amendment to the Standard simply because of an inconsistency with the Conceptual Framework. Nevertheless, there may be a clear need to revisit the Conceptual Framework should current or future projects move in a direction that is inconsistent with it. In addition, we are concerned that there could be terminological inconsistencies between the Standards and the Conceptual Framework where the same financial terms are used in a different context without referring to each other (for example, the interaction of the term "control" here and in IFRS 10) or within the Conceptual Framework itself (such as how the terms "recognition" and "derecognition" interact with each other, and whether the defined aim is that the one should be the opposite of the other).

Along with the OCI discussion, the IASB should develop further explanatory material on how the nature of an entity's business activities would affect particular areas of standard-setting activities.

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Financial reporting is an essential element of a company's corporate reporting, which in turn reflects a firm's business activities.

In addition, we would like the Conceptual Framework to provide guidance on how to select a measurement basis. In our view, the general description of the qualitative characteristics as the main factors to consider when determining a measurement basis is not sufficient to ensure consistency.

For the Conceptual Framework, as the foundation for the description of the objective and the concepts for general purpose financial reporting, it is essential that the outcome of current or future IASB projects (e.g. financial instruments with characteristics of equity, or the disclosure initiative) are integrated in order to ensure on-going high quality.

The Appendix to this letter provides more detailed responses to the questions set out in the Exposure Draft. Some IAIS member jurisdictions require regulated insurers to file financial statements based on accounting standards other than those of the IASB. The attached comments are intended to suggest improvements to the Conceptual Framework, which would primarily influence the development of future IASB Standards as they may apply in jurisdictions that require IFRS.

If you have questions regarding this letter, please contact Markus Grund, Chair of the IAIS Accounting and Auditing Working Group (telephone: +49 228 4108 3671; email: markus.grund@bafin.de) or Mark Causevic at the IAIS Secretariat (telephone: +41 61 280 8323; email: mark.causevic@bis.org).

Yours sincerely,

for Victoria Saporta
Chair, Executive Committee

Michael McRaith
Chair, Technical Committee

Appendix: Detailed Responses to Questions within the IASB's ED, *Conceptual Framework for Financial Reporting*

Chapter 1 and 2 - The objective of general purpose financial reporting and the qualitative characteristics of useful financial information

Question 1 – Proposed changes to Chapters 1 and 2

1 Do you support the proposals:

a) To give more prominence, within the objective of financial reporting, to the importance of providing information needed to assess management`s stewardship of the entity`s resources;

b) To reintroduce an explicit reference to the notion of prudence (described as caution when making judgements under conditions of uncertainty) and to state that prudence is important in achieving neutrality;

c) To state explicitly that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form;

d) To clarify that measurement uncertainty is one factor that can make financial information less relevant, and that there is a trade-off between the level of measurement uncertainty and other factors that make information relevant; and

e) To continue to identify relevance and faithful representation as the two fundamental qualitative characteristics of useful financial information?

2 Why or why not?

(a) The IAIS agrees with the IASB's Exposure Draft *Conceptual Framework for Financial Reporting* (the ED) that providing financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity, should be the objective of general purpose financial reporting.

Providing financial information about the reporting entity should include the possibility to assess both the prospects for future net cash inflows to an entity as well as the assessment of management's stewardship of the entity's resources. The ED presents both those aims of general-purpose financial reporting as equal elements in the decision to buy, sell or hold equity and debt instruments. In doing so, the ED does not consider explicitly what information (or type of information) may be required to assess stewardship that would not already be included in the information required to assess the prospects for future net cash inflows. For example, it may be that the inclusion of the notion of stewardship might result in better disclosure to explain management's decision-making than might otherwise be the case. Alternatively, hedge accounting might be seen as an example of an area of accounting intended to portray management strategy in the financial statements more accurately. We would support further consideration of what this notion might mean in practice, and explanatory material in the Conceptual Framework to reflect this.

(b) The IAIS agrees with the explicit reference to the notion of prudence within the Conceptual Framework. Prudence described as caution when making judgements under conditions of uncertainty requires preparers to use reasonable and well-balanced professional judgement where uncertainty exists. We agree that prudence, as defined here, can contribute to achieving neutrality in financial information and therefore does not conflict with this characteristic of a faithful representation. It embeds a degree of caution when a significant judgment is required and brings discipline into the preparation of financial results, providing a counterweight against the natural optimism of management. The reintroduction of prudence is essential to ensure that the concept is applied consistently across (future) standards.

(c) The IAIS agrees that accounting for a transaction in accordance with its legal form, instead of its economic substance, would not result in faithful representation. Further clarification on how 'economic substance' is defined, and examples of how it might differ from legal form, would be welcome.

(d) The IAIS agrees that the level of measurement uncertainty affects the relevance of financial information, and that where measurement uncertainty is high, additional disclosure is required in order to provide the user with relevant information.

Measurement uncertainty arguably plays a role in other areas of the Conceptual Framework and its usefulness is not necessarily limited to the section on relevance. For example, the IASB may consider whether a cross-reference to the material here in chapter 5 on recognition and derecognition, or chapter 6 on measurement, may be appropriate.

The IAIS also believes that the relationship between measurement uncertainty and relevance should also be considered in the context of primary financial statements and note disclosures. For an item subject to high measurement uncertainty, what is relevant for inclusion in primary financial statements may differ from what is relevant to include in note disclosures.

Also, we believe a high level of measurement uncertainty should not prevent the use of an estimate if that estimate provides the most relevant information available and is properly described and disclosed. For example, insurance liabilities with high measurement uncertainty can exist. In line with the application of the notion of prudence as a cautious approach, we consider it appropriate that even under conditions of high measurement uncertainty, an estimate should be recognised (along with the appropriate disclosures) for an item, or a component thereof, as it provides relevant information to users of the financial statements.

(e) The IAIS does not believe that the IASB should reintroduce the notion of reliability. Instead, we are supportive of an approach centred on two fundamental qualitative characteristics.

Chapter 3 - Financial statements and the reporting entity

Question 2 - Description and boundary of a reporting entity
Do you agree with: a) The proposed description of a reporting entity in paragraphs 3.11 – 3.12; and b) The discussion of the boundary of a reporting entity in paragraphs 3.13 – 3.25? Why or why not?

The IAIS agrees that a reporting entity is not necessarily a legal entity. It can comprise a portion of an entity, or two or more entities and entities should be able to prepare both individual and consolidated financial statements.

Nevertheless, the ED states that "in general, consolidated financial statements are more likely to provide useful information to users of financial statements than unconsolidated financial statements." The usefulness of consolidated or unconsolidated statements may vary based on user needs, and thus in our view this statement should be amended or removed. We also believe the framework should acknowledge that combined financial statements can be useful in some cases - for example, for mutual insurers.

The IAIS asks for further clarification of using and understanding the concept of direct and indirect control in this context. The use of the term "control" and its implications on the financial statements and the reporting entity should be described consistently with the control discussion under IFRS 10. For example, the text that begins in paragraph 3.14, and in particular paragraphs 3.19 and 3.21, appears to characterize the parent-subsidiary relationship as involving direct or indirect control over assets and liabilities. In contrast, the actual IFRS 10 consolidation test focusses on controlling the operating activities of a potential subsidiary, and exposure to returns rather than on controlling, directly or indirectly, the assets and liabilities. It is not clear to us why this discrepancy is necessary.

The ED states that financial statements should be prepared from the perspective of the reporting entity as a whole. The IAIS agrees with this statement. This perspective is relatively well understood by users and is more consistent with the other aspects of the Conceptual Framework which state that the primary users are not limited to existing shareholders. However, it would be useful if the IASB could more explicitly outline the consequences of this perspective in terms of valuation (e.g. entity's own credit risk), the distinction between equity and debt, and for disclosures.

Chapter 4 - The elements of financial statements

Question 3 – Definitions of elements
Do you agree with the proposed definitions of elements (excluding issues relating to the distinction between liabilities and equity): a) An asset, and the related definition of an economic resource; b) A liability; c) Equity; d) Income; and e) Expenses? Why or why not? If you disagree with the proposed definitions, what alternative definitions do you suggest and why?

Asset & Liability

The IAIS believes that the proposed definitions of asset (a present economic resource controlled by the entity as a result of past events) and liability (a present obligation of the entity to transfer an economic resource as a result of past events) are easier to understand and may result in a more consistent application than the current definitions. The new definitions avoid the existing confusion between the existence of the resource or the obligation and the expectation of the resulting inflows or outflows. Therefore, the IAIS agrees with the amendments to the proposed definitions of an asset and a liability that result in the removal of any probability thresholds.

Retaining the notion of expected or probable inflows or outflows would have led to excluding many items that are in our view clearly assets and liabilities, such as certain insurance contracts, options, or stand ready obligations, solely because they have a low probability of resulting in an inflow or outflow of economic benefits at a certain point in time.

We agree with the notion of "control" as the basis for the definition of an asset, because a "right" (that defines an economic resource) in our view necessarily implies control. Therefore, "control" should in effect form the only basis of recognition.

Equity

The IAIS agrees with the proposed definition of equity as the residual interest in the assets of the entity after deducting all its liabilities. Nevertheless, in our view the distinction between equity and liabilities contained in IAS 32 is not consistent with the current framework, and the ED does not deal with these inconsistencies. Although the IAIS believes that this topic should be addressed by reconsidering the topic at a standards level (such as the IASB`s project on financial instruments with characteristics of equity), it is important to address and resolve these inconsistencies and to amend the Conceptual Framework to reflect the outcome of the separate project on this issue.

Income & Expenses

The IAIS supports the proposed definitions of income and expenses.

Question 4 – Present obligation
Do you agree with the proposed description of a present obligation and the proposed guidance to support that description? Why or why not?

The IAIS agrees with the ED that a present obligation to transfer an economic resource arises, if "the entity has no practical ability to avoid the transfer"; and "the obligation has arisen from past events". This appears to us to be the most practical solution to describe the existence of a present obligation. However, the wording in paragraph 4.31 (b) that the extent of the obligation must be established appears somewhat too restrictive to us, since this wording might be seen to justify non-recognition of certain existing liabilities, such as insurance contracts or derivative liabilities, where the extent of the obligation might not be known literally at the reporting date. For example, there may be cases in long-term insurance business (where amounts are owed to future policyholders) where there may be uncertainty both around the timing of the future transfer, and around the identity of the recipient. However, there is generally still no practical ability to avoid the transfer. The IASB may consider including further clarification on this point.

Question 5 – Other guidance on the elements
Do you have any comments on the proposed guidance? Do you believe that additional guidance is needed? If so, please specify what that guidance should include.

Executory Contracts

Under current IFRS practice, executory contracts that are not financial instruments are normally not recognised when the rights and obligations have equal value, or the rights have a value greater than that of the obligations.

In the ED, the IASB states that an executory contract is either an asset or a liability because of the right and the obligation to exchange economic resources. We believe executory contracts have cross-cutting issues that should not be limited to a discussion within the section on elements. For example, without any clear guidance on recognition for these contracts, the risk exists that executory contracts are recognised in the financial statements more frequently than the IASB intends.

Unit of Account

The IAIS welcomes the development of guidance on the unit of account in the ED. In particular, we support the notion that the unit of account for recognition purposes may differ to that for measurement, and that in some situations separable rights and obligations can exist within a single unit of account. Both of these points are particularly relevant in the context of insurance contracts, and it may be the case that further guidance is required in specific situations. Therefore, where relevant, the unit of account should be considered further in relation to individual standards.

Chapter 5 – Recognition and derecognition

Question 6 – Recognition criteria
Do you agree with the proposed approach to recognition? Why or why not? If you do not agree, what changes do you suggest and why?

The IAIS agrees with the statement in the ED that only items that meet the definition of an element are recognised in the statement of financial position or in the statement of financial performance and assists the consideration of relevance, faithful representation and the cost benefit constraint as recognition criteria.

The ED also maintains that whether the information provided is useful to users depends on the item and specific facts and circumstances, and requires judgement and possibly varying recognition requirements between standards.

It appears from the ED that recognising assets and liabilities would be relevant, except in certain cases where it is unclear whether the asset or liability exists (existence uncertainty) or there is a low probability of an inflow or outflow of economic benefits. The ED, however, does not provide any substantive guidance on when recognising an asset or a liability where there is existence uncertainty or where a low probability of an inflow or outflow would not result in relevant information.

The same lack of guidance applies to measurement uncertainty. The ED recognises that in exceptional circumstances the recognition of assets and liabilities may not result in useful information where their measurement is subject to a high level of uncertainty. As noted in the response to question 1, we are concerned that too great a focus on measurement uncertainty might justify non-recognition of legitimate assets and (in particular) liabilities. We believe that measurement uncertainty is only an issue in terms of recognition and that the text should make this clear.

We agree with the statement in the ED that if measurement uncertainty is high, an estimate is less relevant than it would be if it were subject to low measurement uncertainty. At the same time, the ED also maintains that in some cases trying to capture information that is subject to high measurement uncertainty in a single number may not provide any further relevant information. We believe a high level of measurement uncertainty should not prevent the use of an estimate if that estimate provides the most relevant information available and is properly described and disclosed. In line with the application of the notion of prudence as a cautious approach, we consider it appropriate that even under conditions of high measurement uncertainty, an estimate should be recognized (along with appropriate disclosures) as it provides relevant information to users of the financial statements.

In the Basis for Conclusions (BC), the IASB explained that asymmetry in the recognition of assets/income and liability/expenses could be retained in the standards without introducing any undesirable bias in financial reporting. Consequently, it may be useful to explain directly within the Conceptual Framework the basis for the current asymmetric approach existing in some standards regarding the respective treatment of assets and liabilities.

Also, the IAIS believes that a faithful portrayal of the business activities of an entity should avoid accounting mismatches between assets and liabilities related to those business activities.

Question 7 - Derecognition
Do you agree with the proposed discussion of derecognition? Why or why not? If you do not agree, what changes do you suggest and why?

Derecognition requirements as presented in the ED aim to represent faithfully both the assets and liabilities retained after the transaction or other event that led to derecognition, and the change in the entity`s assets and liabilities as a result of that transaction or other event.

In order to represent those aspects faithfully any assets or liabilities that have been transferred, consumed, collected or fulfilled, or have expired should be derecognised and any resulting income or expense should be recognised. Furthermore, the assets and liabilities that are retained after a transaction should be recognised in a separate unit of account with no realisation of any income or expense.

The IAIS agrees to those derecognition principles in general but reminds the IASB to resolve the derecognition issue in a high quality and consistent way finally at the standards level by developing some overarching principles, and subsequently consider what change this might mean for the text in the Conceptual Framework. Essential to this detailed work is a clear articulation of whether there is only one principle behind recognition and derecognition (i.e. the one is explicitly the opposite of the other), or whether there is a need to develop a principle for derecognition that justifies the asymmetry that currently exists.

The section on modification of contracts could be enhanced with a discussion of substance over form considerations and greater clarify on whether a modification includes exercising flexible rights within an existing agreement.

Chapter 6 - Measurement

Question 8 – Measurement bases
Has the IASB: a) Correctly identified the measurement bases that should be described in the Conceptual Framework? If not, which measurement bases would you include and why? b) Properly described the information provided by each of the measurement bases, and their advantages and disadvantages? If not, how would you describe the information provided by each measurement basis, and its advantages and disadvantages?

The IAIS agrees with the ED that either historical cost or current value are the two identified measurement bases that could be implemented by cash-flow based measurement techniques. Therefore, cash flow based measurement techniques should not be considered as a separate or third measurement category. Although the ED presents in Appendix A the key factors of "Cash-flow-based measurement techniques" there is in our view a lack of discussion on the approach on discount rate and adjustment for risk in general, which the IAIS believes is essential in this context.

In reference to the discussion on value in use and fulfilment value, we note the section does not have the same discussion of predictive and confirmatory value that the historical cost and fair value sections do. We think it would be useful to have such a discussion in this section as well.

Generally, we agree that a mixed measurement model provides an appropriate reflection of an entity`s different business activities and of the various characteristics of different assets and liabilities on the balance sheet.

In addition, we also note that the summary provided within Table 6.1 is confusing in some areas. For example, what is meant by "consideration provided by customers (or others) for obligations fulfilled by the entity during the period"?

Question 9 – Factors to consider when selecting a measurement basis

Has the IASB correctly identified the factors to consider when selecting a measurement basis? If not, what factors would you consider and why?

The ED makes reference to relevance and faithful representation as the main factors to consider when determining a measurement basis. Although the IAIS agrees with the goal that these qualitative characteristics should inform the selection of a measurement basis, we find the text in paragraphs 6.53 to 6.58 somewhat general, and are not convinced that this description is sufficient to inform the selection of a measurement basis in a consistent way. There is no concrete description of the linkage between the measurement bases and the factors. There is also no guidance on the relative importance of each of the factors, and so it is not clear how potential conflicts between these factors might be resolved.

Question 10 – More than one relevant measurement basis

Do you agree with the approach discussed in paragraphs 6.74 – 6.77 and BC6.68? Why or why not?

The IAIS agrees that in some cases the relevance of the information provided is enhanced if different measurement bases are used for the statement of financial position and the statement of profit or loss. However the appropriate measurement basis should be dealt with in the Standards.

The fact that such an approach may be required implies that, in selecting a measurement basis, one needs to distinguish between what is appropriate for the statement of profit or loss and the statement of financial position respectively.

As well as the distinction between profit and loss and OCI, the IASB may wish to consider more broadly how a "measurement basis to determine the related income and expenses" might in fact itself be broken down into different elements of financial performance. For example, in measuring insurance contracts, different elements of income and expense arise in each period from the different aspects of measurement of the insurance liability. The question of which of these elements is consistent with the IFRS 15 notion of "income arising from an entity's ordinary activities" is a subject of ongoing debate. It is possible that the IASB's research project on Primary Financial Statements (formerly Performance Reporting) will consider questions of presentation more broadly than the current profit and loss/ OCI split implies. If this is the case, the IASB may wish to consider whether the material on measurement for the profit and loss account contained in this section warrants revision.

Chapter 7 – Presentation and disclosure

Question 11 - Objective and scope of financial statements and communication
Do you have any comments on the discussion of the objective and scope of financial statements, and on the use of presentation and disclosure as communication tools?

The IAIS agrees with the proposals included in the ED on the scope of financial statements.

On presentation and disclosure as communication tools, we view the description in the ED as rudimentary. The ED in effect restricts itself to describing efficient and effective communication of information in the financial statements as being relevant and contributing to a faithful representation of the elements.

We note that the IASB is also working on the Disclosure Initiative, a collection of implementation and research projects aimed at improving disclosure in IFRS financial reporting. We also note the statement in the Basis for Conclusions to the ED that the IASB, in its Disclosure Initiative, will seek to provide additional specific guidance to support the application of the presentation and disclosure concepts proposed in the ED. We would encourage the IASB to re-visit this chapter once the Disclosure Initiative is complete, and consider whether additional text in areas that are being examined as part of that initiative (such as the principles of disclosure, or materiality in this context) could be added here.

Question 12 - Description of the statement of profit or loss
Do you support the proposed description of the statement of profit or loss? Why or why not? If you think that the Conceptual Framework should provide a definition of profit or loss, please explain why it is necessary and provide your suggestion for that definition.
Question 13 – Reporting items of income or expenses in other comprehensive income
Do you agree with the proposals on the use of other comprehensive income? Do you think that they provide useful guidance to the IASB for future decisions about the use of other comprehensive income? Why or why not? If you disagree, what alternative do you suggest and why?

The ED describes the statement of profit or loss as the primary source of information about an entity's financial performance for the period, and requires that a total or subtotal for profit or loss be presented.

The IAIS agrees that a total or subtotal for profit or loss should be maintained. The profit or loss statement is the starting point for the analysis of an entity`s performance and therefore supports users' needs. Nevertheless, the purpose of one or the other, or both, of the performance statements is not clear. Depicting the return on economic resources, assessing management's stewardship and prospecting future cash flows may in total determine the aim of the profit or loss statement, but the IAIS questions if there is a trade-off between the three purposes, and consequently whether each single purpose, if taken in abstraction, would result in a different presentation of the profit or loss statement. Without knowing the purpose of these statements, it is difficult to apply the relevance considerations.

We agree that income and expenses measured under a historical cost measurement basis should be included in profit or loss. However, in our view, the ED lacks a further concept to govern when income or expenses on a current measurement basis should be included in OCI.

In the ED, the statements of profit or loss and of OCI are discussed as presentation items. However, much of the text, in particular in paragraphs 7.23 and following, focus on the recognition of individual items within one of these categories or the other. There seems to be no consistent view in the ED on whether OCI is more a recognition or presentation consideration.

Question 14 – Recycling
Do you agree that the Conceptual Framework should include the rebuttable presumption described above? Why or why not? If you disagree, what do you propose instead and why?

It is unclear to the IAIS as to when recycling should not be obligatory. Nevertheless, the meaning of OCI and its implications for current standards should be clarified, as the recourse of the qualitative characteristics for the motivation is too general.

Chapter 8 – Concepts of capital and capital maintenance

No comments.

Other questions for respondents

Question 15 – Effects of the proposed changes to the Conceptual Framework
Do you agree with the analysis in paragraphs BCE.1-BCE.31? Should the IASB consider any other effects of the proposals in the Exposure Draft?

In the BCE.2-BCE.11, the IASB is to have identified existing Standards and Interpretations that would be inconsistent with the proposed Conceptual Framework. This type of analysis is very helpful for confirming the proper understanding of the changes introduced in the revised Conceptual Framework and forming a view about the future working programme of the IASB. However, we believe that the BC largely underestimates the inconsistencies and does not provide enough relevant information on the reduction of the current inconsistencies. For example, the IAIS noticed that the inconsistencies within IAS 37 are not only limited to the recognition of levies.

Question 16 – Business activities
Do you agree with the proposed approach to business activities? Why or why not?

The ED states that business activities are likely to affect certain decisions.

The IAIS supports the IASB's inclusion of a description of how the nature of an entity's business activities would affect particular areas of standard-setting activities. The IAIS is convinced the financial statements of an entity are really useful to users if they reflect as faithfully as possible the business activities and provide relevant information on these activities. This aim is not specific to a particular standard, but is an objective that affects the ability of all standards to reflect the activities of an entity.

Within this context, we think that far more prominence should be given to consideration of the nature of the entity's business activities in the chapters 1 and 2. In particular, we believe that a faithful portrayal of the business activities of an entity should avoid accounting mismatches between assets and liabilities related to those business activities - while this aspect is correctly highlighted in para. 6.58 relative to the measurement approach, its consideration would also be appropriate in the context of the distinction between OCI and Profit and Loss.

Question 17 – Long-term investment
Do you agree with the IASB`s conclusions on long-term investment? Why or why not?

The IAIS agrees with the Basis for Conclusions of the ED that the Conceptual Framework should not refer explicitly to the business activity of long-term investment because this would embed Standards-level detail in the Conceptual Framework. In addition, were the Conceptual Framework to contain a description of long-term investment, this would present an exception, since it does not refer to any other particular business activity – therefore, the reference to long term investment does not appear reasonable.

Question 18 – Other comments
Do you have comments on any other aspect of the Exposure Draft? Please indicate the specific paragraphs or group of paragraphs to which your comments relate (if applicable). As previously noted, the IASB is not requesting comments on all parts of Chapters 1 and 2, on how to distinguish liabilities from equity claims (see Chapter 4) or on Chapter 8.

It may happen that accounting policies developed under the current Conceptual Framework will be in conflict with the guidance in the revised Conceptual Framework. The IASB will not automatically change existing Standards as a result of the changes that it makes to the Conceptual Framework. Any decision to amend an existing Standard would have to go through the IASB's normal due process for adding a project to its agenda.

The IAIS agrees with the principle that is laid down in the introduction of the ED that the Conceptual Framework should not override any specific Standards [ED, page 21, paragraph IN2]. However, as it is essential for users to recognize that where there is a conflict, the requirements of the Standard should prevail over the framework; the IAIS recommends that this be further highlighted within the Framework, for example by being reiterated in the introductory material of Chapter 1, so as to ensure that this information is not overlooked.