Public Late Papers for NZASB meeting

Virtual Meeting — Tuesday, 5 April 2022

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

Date:	31 March 2022
To:	NZASB Members
From:	Tereza Bublikova
Subject:	**Public Sector Specific Financial Instruments**

Purpose and introduction[1]

1. The purpose of this agenda is to UPDATE and receive Board DIRECTION on our work to consider introducing the IPSAB final pronouncement *Non-Authoritative Amendments to IPSAS 41 Financial Instruments,* which was issued in December 2020, into our PBE Standards.

2. To support the adoption of this IPSAB pronouncement into our PBE Standards, we have developed a draft Exposure Draft (ED) and Invitation to Comment (ITC) for proposed amendments to PBE IPSAS 41 *Financial Instruments*.

3. The IPSAB pronouncement relates to IPSAS 41 amendments to introduce non-authoritative guidance material to clarify the accounting treatment for public sector specific financial instruments, being specifically:

   (a) Monetary gold;

   (b) Currency in circulation;

   (c) International Monetary Fund (IMF) special drawing rights (SDRs); and

   (d) IMF quota subscriptions.

4. Due to the specific nature of the amendments, the amending standard is expected to be largely only relevant for the Reserve Bank of New Zealand (Reserve Bank) and the New Zealand Treasury (Treasury).

5. At its February 2021 meeting the Board considered a draft ED and ITC to introduce into the PBE Standards the IPSASB pronouncement considered by this memo. While being supportive of the proposals, the Board AGREED to defer the approval of the ED and ITC pending staff investigating further the current accounting in New Zealand for IMF special drawing rights, and IMF quota subscriptions.

6. We have recently met with representatives from Treasury to seek clarity on the current accounting for these IMF balances. We have also subsequently met with IPSASB staff to confirm our understanding of how they see the IMF balances being accounted for based on the requirement and principles in *IPSAS 41 Financial Instruments* and the non-authoritative guidance material issued in December 2020.

[1] This memo refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Standards, IFRIC® Interpretations and IASB® papers).

Recommendation

7. Staff recommend that the Board DISCUSS, with a view to moving towards APPROVAL of *Public Sector Specific Financial Instrument*s (Proposed non-authoritative amendments to PBE IPSAS 41) ITC and ED, being agenda item 4.2 and 4.3.

Background

8. At its November 2020 meeting the Board, in accordance with the PBE Policy Approach[2], approved a domestic project to develop an ED and ITC on *Public Sector Specific Financial Instruments*, to be based on the IPSASB's *Non-Authoritative Amendments to IPSAS 41 Financial Instruments*.

9. The Board agreed the following parameters for this project:

   (a) the proposals would be applicable for Tier 1 and Tier 2 public benefit entities (PBEs); and

   (b) the proposed effective date of 1 January 2023, with early application permitted.

10. The proposed amendments (i.e. introduction of the IPSASB non-authoritative guidance) will ensure that PBE IPSAS 41 *Financial Instruments* continues to be aligned with IPSAS 41 *Financial Instruments*.

11. At its February 2021 meeting the Board agreed to defer the approval of the ED and ITC on *Public Sector Specific Financial Instruments* due to the lack of clarity around the current accounting in New Zealand concerning IMF balances – IMF special drawing rights, and IMF quota subscriptions.

12. In March 2022 staff discussed with the Treasury staff the current accounting for the IMF special drawing rights and IMF quota subscriptions in New Zealand. We have also subsequently met with IPSASB staff.

Structure of this memo

13. The remainder of this memo is organised as follows:

   (a) Scope

   (b) Accounting for IMF balances

   (c) Effective date

   (d) Reduced disclosure regime

   (e) Consultation

   (f) Questions for the Board

[2] Policy Approach to Developing the Suite of PBE Standards

The memo also includes the following appendices:

- Appendix 1: Extracts from the *Financial Statements of the New Zealand Government* for the year ended 30 June 2021 showing IMF balances
- Appendix 2: Extracts from the *Treasury Annual report* for the year ended 30 June 2021 related to IMF balances
- Appendix 3: IPSAS Non-Authoritative Amendments to IPSAS 41, *Financial Instruments*

Scope

14. NZASB ED 2022-8 *Public Sector Specific Financial Instruments* (Proposed non-authoritative amendments to PBE IPSAS 41) proposes amendments to the Implementation Guidance and the Illustrative Examples that accompany PBE IPSAS 41 to clarify the accounting treatment of the following public sector specific financial instruments:

    (a) Monetary gold;

    (b) Currency in circulation;

    (c) IMF special drawing rights (SDRs); and

    (d) IMF quota subscriptions.

15. The draft ED states that the proposals are relevant for Tier 1 and 2 PBEs, specifically those in the public sector. The ITC explains the nature of these items.

16. The objective of the amendments was to provide additional non-authoritative guidance in IPSAS 41 to clarify the requirements for classifying, recognizing, and measuring certain public sector specific financial instruments. Additional guidance underlines that for public sector items that meet the definition of a financial instrument that these should be accounted for by applying existing principles in IPSAS 41.

Accounting for IMF balances

17. The Board in February 2021 considered the IPSASB's non-authoritative guidance material in relation to monetary gold and currency in circulation and confirmed it had no concerns with this guidance material. We also confirmed in February 2021 with Reserve Bank that the guidance material on these instruments is consistent with current practice in New Zealand.

18. The remainder of this section focuses on the recent work completed by staff on confirming the current accounting treatment of IMF balances as include in the scope of these proposals. This was the one issue that the Board asked staff to complete additional analysis on, after it first reviewed the draft ED and ITC in February 2021.

19. Staff reviewed the consolidated *Financial Statements of the Government of New Zealand* and the *Treasury Annual Report* for the year ended 30 June 2021 for treatment of IMF SDRs and IMF quota subscriptions. The relevant pages from the *Financial Statements of the Government of New Zealand* are included as Appendix 1 and from the *Treasury Annual Report* are included as Appendix 2.

20. Following the review of the above-mentioned financial statements and based on discussion with Treasury staff we identified three main transactions between IMF and the New Zealand Treasury:

    (a) SDR holdings (assets) and SDR allocations (liabilities);

    (b) IMF quota subscriptions; and

    (c) Lending to the fund: New Arrangements to Borrow (not within scope of proposals).

21. The IMF Summary Statement of Position below shows SDR balances of New Zealand in IMF, as a member county, as of 30 June 2021.

New Zealand
SUMMARY STATEMENT OF POSITION
as at June 30,2021

Statement of Assets and Liabilities of Fund Membership (in SDRs)			
Assets		Liabilities	
Quota	1,252,100,000	**Holdings of currency by IMF**	918,779,474
			918,779,474
	1,252,100,000		
		SDR Allocations	853,757,690
Reserve Tranche	334,355,183	**Accrued Charges on SDR Allocations**	71,344
Accrued Remuneration	23,721		
SDR Holdings	867,550,834		
Accrued Interest on SDR Holdings	72,495		
Lending to the Fund:			
New Arrangements to Borrow	9,741,109		
Accrued Interest	825		

SDR holdings and allocations

22. *SDR holdings* are international reserve assets created by the IMF and allocated to members to supplement reserves. SDR holdings represent a claim on the currencies of members of the IMF and can be used in transactions with the IMF or can be exchanged between participants of the IMF's SDR Department. Liquidity is guaranteed by a mechanism requiring participants to deliver cash in exchange for SDRs. Accordingly, the IPSASB's non-authoritative guidance confirms that SDR holdings are regarded as financial assets.

23. *SDR allocations* are obligations which arise through IMF member's participation in the SDR Department and that are related to the allocation of SDR holdings. SDR allocations represent the obligation assumed when SDR holdings are distributed to members. IMF members must stand ready to provide currency holdings up to the amount of their SDR allocation. The IPSASB concluded thar SDR allocations represent a contractual obligation to deliver cash. Accordingly, the IPSASB's non-authoritative guidance confirm that SDR allocations are regarded as a financial liability.

24. Staff confirmed with the Treasury staff the current accounting treatment of the SDR holdings and SDR allocations in New Zealand. In summary, the Government accounts for these items as follows:

    (a) IMF SDR holdings are recognised as financial assets, specifically as a marketable security (see as Appendix 1. Note 27); this is consistent with the proposals; and

    (b) IMF SDR allocations are recognised as financial liability, specifically as other borrowing within non-current liabilities (see as Appendix 2. Note 10); this is consistent with the proposals.

25. We have confirmed with Treasury staff that the "IMF financial assets" balance in the New Zealand Government financial statements is made up of the IMF SDR holdings balance and the paid portion of the IMF quota subscription (discussed in the next section). We have also confirmed the IMF SDR allocations have also been treated as financial liabilities in the Government accounts.

26. Based on the review of the New Zealand Government financial statements and our discussions with Treasury we are of the view that the IPSASB's non-authoritative guidance is consistent with the current treatment in New Zealand – in terms of confirming these balances should be treated as financial instruments.

27. IPSASB Non-Authoritative Implementation Guidance:

Do Special Drawing Rights (SDR) Holdings meet the definition of a financial asset?

Yes. SDR holdings represent a claim on the currencies of members of the International Monetary Fund (IMF). SDR's can be used in transactions with the IMF or can be exchanged between participants of the IMF's SDR Department. Liquidity is guaranteed by a mechanism requiring participants to deliver cash in exchange for SDRs. Accordingly, SDR holdings are regarded as a financial asset.

B.1.2.3 Definition of a Financial Instrument: Special Drawing Rights (SDR) Allocations

Do Special Drawing Rights (SDR) Allocations meet the definition of a financial liability?

Yes. SDR allocations represent the obligation assumed when SDR holdings are distributed to members. IMF members must stand ready to provide currency holdings up to the amount of their SDR allocation. This represents a contractual obligation to deliver cash. Accordingly, SDR allocations are regarded as a financial liability.

28. We note the IPSASB's non-authoritative guidance, does not include any further guidance on the accounting for SDR holdings and SDR allocations – including how these financial instruments should be classified for subsequent measurement purposes.

Question for the Board — SDR holdings and allocations

The non-authoritative guidance in NZASB ED 2022-8 (Agenda Item 4.2) regarding *SDR holdings and allocations* is aligned with the IPSASB's final pronouncement.

Q1. To maintain alignment with IPSAS 41, does the Board AGREE that no New Zealand specific amendments are required?

IMF quota subscriptions

29. New Zealand, as an IMF member, is subject to the IMF quota system.[3] Quotas are the building blocks of the IMF's financial and governance structure. They determine the amount of financing a member can obtain from the IMF, the maximum amount of resources a member is obliged to provide to the IMF, the voting rights of members, and a member's share in the general allocation of SDRs.

30. On joining the IMF, member countries are assigned a quota based on their relative position in the world economy and pay a subscription equal to the value of the quota. The quota is also the key determinant of the voting power, amount of financial assistance available to the member from the IMF, and the member country's allocations of SDRs.

31. Under the IMF Articles of Agreement member countries are required to pay the IMF quotas in cash only up to 25% (referred as "Reserve Tranche" in the IMF Summary Statement of Position – paragraph 21). The rest of the IMF quota subscriptions is covered by the issuance of promissory notes.

32. The New Zealand Government financial statements reports the IMF quota subscriptions paid in cash (called portion) as a financial asset in its balance sheet under "IMF Financial Assets" (see in Appendix 1 Note 27). The promissory notes issued in relation to remaining IMF quota

[3] https://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas

subscriptions (uncalled portion) are not recognised in balance sheet and are disclosed as a contingent liability (see in Appendix 1 Note 26).

33. Note disclosure in New Zealand Government financial statements on the IMF Promissory notes related to IMF quota subscriptions.

IMF Promissory Notes

New Zealand's subscription to the IMF is partly paid in cash and partly in promissory notes (being uncalled capital). The respective levels of called and uncalled capital change when calls are made by the IMF under the Financial Transactions plan to provide loan packages to borrowing countries. Even though promissory notes are technically "at call", they are treated as contingent liabilities, as there are significant restrictions on the actual ability to call them, and there is no realistic estimate of either the amount or the timeframe of any call.

34. As a part of *Public Sector Specific Financial Instruments* project, IPSASB concluded that IMF quota subscriptions share a number of features with those in Illustrative Example 32 *Capital Subscriptions Held with Redemption Features* as currently provided in IPSAS 41 and decided that additional guidance for quota subscriptions was not required in the non-authoritative guidance. However, the IPSASB did amend Illustrative Example 32 to include "similar international organisations" in addition to the specific reference to "International Development Bank A".

Illustrative Examples

These examples accompany, but are not part of, IPSAS 41.

…

Example 32—Capital Subscriptions Held with Redemption Features

IE211. In order to participate in and support the activities of International Development Bank A, or similar international organization, Federal Government B ~~invests~~ invested and ~~acquires~~ acquired a fixed number of subscription rights in International Development Bank A, based on Federal Government B's proportional share of global Gross Domestic Product. Each subscription right costs CU1,000, which provides Federal Government B with the right to put the subscription rights back to International Development Bank A in exchange for the initial amount invested (i.e., CU1,000 per subscription right). International Development Bank A has no obligation to deliver dividends on the subscription rights.

35. The Basis for Conclusions (BCs) included in the IPSASB's *Non-Authoritative Amendments to IPSAS 41,* paragraph BC3E, provides that the IPSASB consider that IMF quota subscriptions share a number of features with those in Illustrative Example 32 in IPSAS 41.

BC3E. The IPSASB noted that additional non-authoritative guidance would help users identify these specific financial items that are (or share characteristics of) financial instruments, and developed additional implementation guidance for monetary gold, currency in circulation, and SDRs. However, the IPSASB noted IMF quota subscriptions share a number of features with those in Illustrative Example 32 in IPSAS 41 and decided that additional guidance for quota subscriptions was not required. The IPSASB concluded that the additional illustrative examples and augmented implementation guidance provide appropriate guidance for accounting for monetary gold, currency in circulation, and SDRs.

36. In the ITC we have included a specific question to receive feedback on the conclusion reached in this IPSASB's BCs.

Do you agree with the conclusion that IMF quota subscriptions share a number of features with those in Illustrative Example 32 in IPSAS 41? If you disagree, please explain why.

37. Appendix 3 contains relevant excerpts from the IPSASB's BCs and IPSAS 41 Illustrative Example 32. We note the IPSASB BCs, as per our standard practice, are not included in the NZASB ED. However, when a final PBE Standard is issued, we provide a link to the IPSASB BCs on our website.

38. When discussing this with the Treasury staff, they highlighted uncertainty about whether the amendments to Illustrative Example 32 and the implementation guidance were intended to provide any clarity about the accounting treatment of the two components of the IMF quota subscription:

    (a) Called portion of the IMF quota subscription, which the New Zealand Government recognises as a financial asset; and

    (b) Uncalled portion of the IMF quota subscription, which is covered by the issuance of promissory notes, and which the New Zealand Government recognises as a contingent liability.

39. Due to the IPSASB implementation guidance not providing specific comments on how the two components should be treated, they were concerned that the amendments to the Illustrative Example 32 in IPSAS 41 may draw out different interpretations. The key interpretation question based on the principles and requirements of IPSAS 41, is whether the uncalled portion (the promissory notes) should be treated as a contingent liability or as a financial liability (with a matching financial asset also recognised).

40. In early 2021 IPSASB staff reviewed the financial statements of 21 central banks and noted that despite the same subscription quota process applying to the IMF member states, jurisdictions manage and record IMF quota subscriptions inconsistently.[4] There are differences in what central agency manage transactions with IMF, how the IMF quota subscription are settled and how they are reported in financial statements – some jurisdictions report as a financial assets the gross amount of the IMF subscription quota (being the called and uncalled portions) and others consistent with New Zealand only recognise a financial assets for the called portion.

41. We confirmed with the IPSASB staff in March 2022, that the *Non-Authoritative Amendments to IPSAS 41* are not intended to resolve the inconsistencies in reporting and/or to provide guidance on the reporting requirements for IMF quota subscriptions. The IPSASB recognised that jurisdictions should continue to apply IPSAS 41 based on their individual facts and circumstances of how they manage the IMF subscription quota. The Illustrative Example 32 (as

[4] More details about the research can be found in the March 2021 IPSASB paper - Public Sector Specific Financial Instruments (paragraphs 57-58 and Appendix D).

amended) remains silent on the recognition of the uncalled/unpaid portion of the IMF quota subscription which supports this view.

42. IPSASB staff also noted that the *Non-Authoritative Amendments to IPSAS 41* do not result in any changes to the principles and requirements of IPSAS 41. Therefore, in principle the issuance of the *Non-Authoritative Amendments to IPSAS 41* should not result in any change to current accounting policies – however, they acknowledged that the issuance of the Non-*Authoritative Amendments to IPSAS 41* may result in jurisdictions reconsidering previous interpretations reached.

43. We also noted that the Treasury measures the assets related to IMF quotas subscriptions at amortised costs.

44. IPSAS 41 paragraph 40 requires financial asset to be measured at amortised cost if both of the following conditions are met: (a) The financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

45. The non-authoritative Illustrative Example 32 concludes that puttable subscriptions rights should be classified at fair value through surplus or deficit as those fail to give rise on specified dates to cash flows solely payments or principal and interest.

Example 32—Capital Subscriptions Held with Redemption Features

IE211. In order to participate and support the activities of International Development Bank A, Federal Government B invests and acquires a fixed number of subscription rights in International Development Bank A, based on Government B's proportional share of global Gross Domestic Product. Each subscription right costs CU1,000, provides Government B with the right to put the subscription rights back to Bank A in exchange for the initial amount invested (i.e., CU1,000 per subscription right). International Development Bank A has no obligation to deliver dividends on the subscription rights.

IE212. Government B is evaluating the appropriate classification of the financial asset based on the terms of the subscription rights.

IE213. In determining the classification of the financial asset, Government B concludes the subscription rights do not meet the definition of an equity instrument as defined in PBE IPSAS 28 *Financial Instruments: Presentation*.[57] As a result, Government B concludes the election available in paragraph 43 to measure an equity instrument at fair value through other comprehensive revenue and expense is not available.

IE214. Furthermore, as the contractual terms of the subscription rights fail to give rise on specified dates to cash flows solely for payments of principal and interest, the subscription rights cannot be classified as a debt instrument measured at amortised cost or fair value through other comprehensive revenue and expense. Government B concludes puttable subscription rights are required to be classified at fair value through surplus or deficit.

46. It is important to highlight that Example 32 is provided in the existing IPSAS 41 and PBE IPSAS 41 as issued by the NZASB. Therefore, in principle the issuance of the *Non-Authoritative Amendments to IPSAS 41* should not result in any change to current accounting policies – however the minor changes to Example 32 as proposed in the ED may result in Treasury needing to reconsider the decisions previously reached on the recognition and measurement of the IMF subscription quota balances.

Question for the Board – IMF quota subscriptions

The non-authoritative guidance in NZASB ED 2022-8 (Agenda Item 4.2) regarding *IMF quota subscriptions* is aligned with the IPSASB's final pronouncement (i.e. NZASB ED 2022-8 does not provide specific implementation guidance on the accounting for *IMF quota subscriptions)*.

We note that Treasury will need to continue applying the existing principles of IPSAS 41 when determining the appropriate accounting for *IMF quota subscriptions* based on how they are managed in New Zealand. We could include a Basis for Conclusion paragraph of this nature in PBE IPSAS 41 when introducing the *Non-Authoritative Amendments to IPSAS 41*.

Q2. To maintain alignment with IPSAS 41, does the Board AGREE that no New Zealand specific amendments are required regarding *IMF quota subscriptions*?

Q3. Does the Board AGREE to add a NZASB Basis for Conclusion as proposed above?

Q4. Does the Board AGREE to include a specific question in the ITC as discussed in the paragraph 36?

New Arrangements to Borrow

47. New Arrangements to Borrow (NAB) is a set of credit arrangements between the IMF and some member countries including New Zealand. NAB constitute a second line of funding and is used in circumstances in which the IMF needs to supplement its quota resources for lending purposes. The New Arrangements to Borrow is covered by general activation periods of up to six months, with each activation period subject to a specified maximum level of commitments.

48. NAB is not currently active or being called upon and the Treasury disclose those lending commitments as contingent liabilities. Also, NAB is not within the scope of the proposed *Non-Authoritative Amendments to IPSAS 41, Financial Instruments.*

Consultation

49. In addition to the release of the ITC and ED on the XRB website and an article in a forthcoming issue of the NZASB Update, staff plan to correspond directly with the Reserve Bank and the Treasury to receive feedback on the ED.

Effective date

50. The Board provided feedback on the proposed effective date of this amending standard at the 4 November 2020 meeting. The Board agreed that the effective date of the ED should be 1 January 2023, with early adoption allowed. This maintains alignment with the effective date of the IPSASB's amendments.

51. However, the ED does not propose to add an effective date paragraph to PBE IPSAS 41 itself. We do not add effective date paragraphs for changes to non-authoritative material in standards.

Reduced disclosure regime

52. The ED does not propose changes to any presentation and disclosure requirements in PBE IPSAS 41. Consequently, the ED does not propose any changes to the existing disclosure concessions for Tier 2 PBEs.

Staff recommendation

53. We recommend issuing the ED 2022-8 as currently proposed and considering if any further clarifications are needed based on any constituents' comments received.

54. It is important that the New Zealand Government that can assert compliance with the latest pronouncements issued by the IPSASB on financial instruments. For this reason, we believe it is important to incorporate the IPSASB's *Non-Authoritative Amendments to IPSAS 41* into our PBE Standards as applied by Tier 1 and Tier 2 PBEs.

Questions for the Board

Q5. Does the Board have any comments on the content of the ITC and ED?

Q6. Does the Board APPROVE issuing *Public Sector Specific Financial Instruments* (Proposed non-authoritative amendments to PBE IPSAS 41) Invitation to Comment and Exposure Draft, as proposed in agenda item 4.2 and agenda item 4.3?

Q7. Does the Board APPROVE a 90-day comment period, ending on 11 July 2022?

Attachments

4.2 *Public Sector Specific Financial Instruments* (Proposed non- authoritative amendments to PBE IPSAS 41) Invitation to Comment; and

4.3 *Public Sector Specific Financial Instruments* (Proposed non- authoritative amendments to PBE IPSAS 41) Exposure Draft

Appendix 1: Extracts from the Financial Statements of the New Zealand Government for the year ended 30 June 2021 showing IMF balances

Note 14: Marketable Securities, Deposits and Derivatives in Gain

2021 Forecast at			Actual	
Budget 2020 $m	Budget 2021 $m		30 June 2021 $m	30 June 2020 $m
		By type		
64,784	44,001	Marketable securities	44,687	45,858
3,693	4,046	Long term deposits	5,108	5,443
3,650	7,274	Derivatives in gain	4,509	7,166
2,383	2,420	IMF financial assets	2,479	2,538
74,510	**57,741**	**Total marketable securities, deposits and derivatives in gain**	**56,783**	**61,005**
		Expected Realisation		
52,875	29,926	Expected to be realised within one year	33,496	39,287
21,635	27,815	Expected to be held for more than one year	23,287	21,718
74,510	**57,741**	**Total marketable securities, deposits and derivatives in gain**	**56,783**	**61,005**

Note 27: Financial Instruments

Financial asset type	Measurement
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Long-term deposits	Generally measured at amortised cost
Marketable securities	Generally measured at fair value through the operating balance
IMF financial assets	Amortised cost

Classification of financial assets and financial liabilities

Financial instruments are measured at either fair value or amortised cost. Changes in the fair value of an instrument may be reported in the statement of financial performance or directly in other comprehensive revenue and expense depending on its measurement.

Financial assets

	Note	Actual 30 June 2021 $m	Actual 30 June 2020 $m
By class			
Cash and cash equivalents		18,755	21,927
Reinsurance, trade and other receivables	13	6,199	6,393
Marketable securities	14	44,687	45,858
Long-term deposits	14	5,108	5,443
Derivatives in gain	14	4,509	7,166
IMF financial assets	14	2,479	2,538
Share investments	15	48,539	33,791
Investments in controlled enterprises	15	4,718	4,220
Kiwi Group Holdings loans and advances	16	25,155	22,189
Student loans	16	10,841	10,395
FLP advances	16	2,558	-
Small business cashflow loans	16	921	737
Other advances	16	6,137	4,308
Total financial assets		**180,606**	**164,965**

Note 26: Contingent Liabilities and Contingent Assets (continued)

Contingent Liabilities

	Actual 30 June 2021 $m	30 June 2020 $m
Quantifiable Contingent Liabilities		
Uncalled capital	8,568	8,384
Guarantees and indemnities	348	263
Legal proceedings and disputes	313	491
Other quantifiable contingent liabilities	567	485
Total quantifiable contingent liabilities	**9,796**	**9,623**
By source		
Core Crown	9,538	9,453
Crown entities	157	89
State-owned Enterprises	196	210
Inter-segment eliminations	(95)	(129)
Total quantifiable contingent liabilities	**9,796**	**9,623**

Uncalled capital

As part of the commitment to a multilateral approach to ensure global financial and economic stability, New Zealand, as a member country of the organisations listed below, contributes capital by subscribing to shares in certain institutions. The capital (when called) is typically used to raise additional funding for loans to member countries, or in the case of the quota contributions to directly finance lending to members. For New Zealand and other donor countries, capital contributions comprise both "paid-in" capital and "callable capital or promissory notes".

	Actual 30 June 2021 $m	30 June 2020 $m
Asian Development Bank	3,157	3,315
International Monetary Fund - promissory notes	1,862	2,058
International Bank for Reconstruction and Development	1,637	1,724
International Monetary Fund - arrangements to borrow	1,366	693
Asian Infrastructure Investment Bank	527	575
Other uncalled capital	19	19
Total uncalled capital	**8,568**	**8,384**

IMF Promissory Notes

New Zealand's subscription to the IMF is partly paid in cash and partly in promissory notes (being uncalled capital). The respective levels of called and uncalled capital change when calls are made by the IMF under the Financial Transactions plan to provide loan packages to borrowing countries. Even though promissory notes are technically "at call", they are treated as contingent liabilities, as there are significant restrictions on the actual ability to call them, and there is no realistic estimate of either the amount or the timeframe of any call.

IMF arrangements to borrow

Funds are available to the IMF to support international financial systems in the event of a significant crisis. This is a contingent liability as it will depend upon uncertain trigger events occurring and the IMF calling the funds.

Note 29: Events Subsequent to Balance Date

International Monetary Fund Special Drawing Rights Allocation

On 2 August 2021, the International Monetary Fund (IMF) Board of Governors approved a general allocation of Special Drawing Rights (SDRs) equivalent to US$650 billion, to boost global liquidity. The general allocation of SDRs was effective on 23 August 2021 and the newly created SDRs were credited to IMF member countries in proportion to their existing quotas in the fund.

The New Zealand share of the allocation is $1.2 billion SDRs which is approximately NZ$2.49 billion based on the exchange rate at the time of allocation. The allocation increases both assets and liabilities, with the increase in SDR holdings representing an increase in marketable securities and a corresponding increase in borrowings.

Appendix 2: Extracts from the Treasury Annual report for the year ended 30 June 2021 related to IMF balances

Schedule of Assets and Liabilities

as at 30 June 2021

2020 Actual $000		Note	2021 Actual $000	2021 Main Estimates Unaudited $000
	Current assets			
19,636,441	Cash and cash equivalents		39,801,493	24,888,479
399,316	Accounts receivable and prepayments		44,758	2,206
845,531	Advances		409,083	1,075,714
10,770,653	Marketable securities, deposits and derivatives in gain – NZDM		8,912,076	6,682,227

10 Events After Balance Date

International Monetary Fund Special Drawing Rights Allocation

On 2 August 2021 the International Monetary Fund (IMF) Board of Governors approved a general allocation of Special Drawing Rights (SDRs) equivalent to US$650 billion, to boost global liquidity. The general allocation of SDRs was effective on 23 August 2021 and the newly created SDRs were credited to IMF member countries in proportion to their existing quotas in the fund.

The New Zealand share of the allocation is 1.2 billion SDRs, which is approximately NZ$2.49 billion based on the exchange rate at the time of allocation. The allocation increases both non-departmental balance sheet assets and liabilities, with the increase in SDR holdings representing an increase in New Zealand's official reserve assets and a corresponding increase in Other Borrowing within Non-Current Liabilities.

Appendix 3: IPSAS Non-Authoritative Amendments to IPSAS 41, *Financial Instruments*

Relevant excerpts on the treatment of IMF SDRs allocations and IMF quota from the IPSASB's Basis for Conclusions

…

BC3E. The IPSASB noted that additional non-authoritative guidance would help users identify these specific financial items that are (or share characteristics of) financial instruments, and developed additional implementation guidance for monetary gold, currency in circulation, and SDRs. However, the IPSASB noted IMF quota subscriptions share a number of features with those in Illustrative Example 32 in IPSAS 41 and decided that additional guidance for quota subscriptions was not required. The IPSASB concluded that the additional illustrative examples and augmented implementation guidance provide appropriate guidance for accounting for monetary gold, currency in circulation, and SDRs.

BC3F. The IPSASB issued Exposure Draft (ED) 69 in August 2019 that proposed non-authoritative amendments to IPSAS 41 to illustrate the application of IPSAS 41 to PSSFIs. These amendments included the non-authoritative guidance noted in BC3E. Respondents to the ED supported the additional non-authoritative guidance provided by the IPSASB and the amendments proposed in the ED.

Illustrative Example 32 – excerpt from the IPSAS 41 highlighting the changes introduced by the non-authoritative amendments

Example 32—Capital Subscriptions Held with Redemption Features

IE211. In order to participate in and support the activities of International Development Bank A, or similar international organization, Federal Government B ~~invests~~ invested and ~~acquires~~ acquired a fixed number of subscription rights in International Development Bank A, based on Federal Government B's proportional share of global Gross Domestic Product. Each subscription right costs CU1,000, which provides Federal Government B with the right to put the subscription rights back to International Development Bank A in exchange for the initial amount invested (i.e., CU1,000 per subscription right). International Development Bank A has no obligation to deliver dividends on the subscription rights.

IE212. Government B is evaluating the appropriate classification of the financial asset based on the terms of the subscription rights.

IE213. In determining the classification of the financial asset, Government B concludes the subscription rights do not meet the definition of an equity instrument as defined in IPSAS 28, *Financial Instruments: Presentation*.[58] As a result, Government B concludes the election available in paragraph 43 to measure an equity instrument at fair value through net assets/equity is not available.

IE214. Furthermore, as the contractual terms of the subscription rights fail to give rise on specified dates to cash flows solely for payments of principal and interest, the subscription rights cannot be classified as a debt instrument measured at amortized cost or fair value through net assets/equity. Government B concludes puttable subscription rights are required to be classified at fair value through surplus or deficit.

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

NZASB Exposure Draft 2022-8

Public Sector Specific Financial Instruments (Proposed non-authoritative amendments to PBE IPSAS 41)

(NZASB ED 2022-8)

Invitation to Comment

April 2022

PO Box 11250
Manners St Central, Wellington 6142
New Zealand
http://www.xrb.govt.nz

Table of Contents

Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)[1] is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposals for application by public sector entities that holds public sector specific financial instruments.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to forming a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to comment on only those questions, or issues that are relevant to you.

Comments should be submitted electronically using our 'Open for comment' page at: https://xrb.govt.nz/consultations/accounting-standards-open-for-consultation/

Please indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

The closing date for submissions is **11 July 2022.**

Publication of submissions, the Official Information Act and the Privacy Act

We intend to publish all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

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1 The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
Proposed non-authoritative amendments to PBE IPSAS 41	NZASB ED 2022-8 *Public Sector Specific Financial Instruments* (Proposed non-authoritative amendments to PBE IPSAS 41)
IMF	International Monetary Fund
IPSASB	International Public Sector Accounting Standards Board
IE	Illustrative Example
ITC	Invitation to Comment
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
PBE	Public benefit entity
SDR	Special Drawing Rights

Questions for respondents

		Paragraphs
1	Do you agree with the proposal to recognise currency in circulation as a financial liability when there is a contractual obligation to deliver cash? If you disagree, please explain why.	15–17
2	Do you agree with the conclusion that IMF quota subscriptions share a number of features with those in Illustrative Example 32 in IPSAS 41? If you disagree, please explain why.	18-19
3	Do you agree with the proposal to recognise SDR holdings as financial assets, and SDR allocations as financial liabilities? If you disagree, please explain why.	20–23
4	Do you agree with the proposed effective date of the amendments of 1 January 2023 with early adoption permitted? If you disagree, please explain why.	24
5	Do you have any other comments on the proposals in this ED?	1-25

1. Introduction

1.1. Background

1. PBE IFRS 9 *Financial Instruments* is superseded by PBE IFRS 41 *Financial Instruments*. PBE IFRS 41 is effective for annual reporting periods beginning on or after 1 January 2022.

2. In December 2020, the International Public Sector Accounting Standards Board (IPSASB) issued *Non-Authoritative Amendments to IPSAS 41, Financial Instruments* which amended the non-authoritative Illustrative Examples and Illustrative Guidance accompanying IPSAS 41 *Financial Instruments*. The aim of those amendments was to clarify the accounting treatment for public sector specific financial instruments[2].

3. The NZASB regularly considers amendments to International Public Sector Accounting Standards (IPSAS) and considers whether they should be incorporated in PBE Standards. The NZASB has considered amendments to IPSAS 41 *Financial Instruments* and is proposing to incorporate equivalent amendments in PBE IPSAS 41 *Financial Instruments.*

4. NZASB ED 2022-8 *Public Sector Specific Financial Instruments (Proposed non-authoritative amendments to PBE IPSAS 41)* proposes amendments to the Implementation Guidance and the Illustrative Examples that accompany PBE IPSAS 41 *Financial Instruments* to clarify the accounting treatment of the following:
   (a) Monetary gold;
   (b) Currency in circulation;
   (c) International Monetary Fund (IMF) special drawing rights (SDRs); and
   (d) IMF quota subscriptions.

5. The proposals are relevant for Tier 1 and 2 public benefit entities (PBEs), specifically those in the public sector.

1.2. Purpose of this Invitation to Comment

6. The purpose of this ITC and associated Exposure Draft (ED) is to seek comments on the proposed non-authoritative amendments to PBE IPSAS 41 *Financial Instruments* set out in the ED.

1.3. Timeline and next steps

7. Submissions on NZASB ED 2022-8 are due by **11 July 2022**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.

8. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the amendments.

---

2 Including some instruments with characteristics similar to financial instruments.

2. Overview of Invitation to Comment and ED

2.1. Scope of proposals

9. Due to the specific nature of the amendments, the NZASB anticipates that the proposals are likely to be relevant only to the Reserve Bank of New Zealand and the New Zealand Treasury.

2.2. Summary of the proposals

10. Table 1 summarises the Proposed non-authoritative amendments to PBE IPSAS 41. The proposals would amend the implementation guidance and illustrative examples that accompany PBE IPSAS 41 but which are not an integral part of PBE IPSAS 41. Non-authoritative guidance and examples are intended to assist entities in applying the requirements of standards. They do not establish mandatory requirements.

Table 1: Proposed non-authoritative amendments to PBE IPSAS 41

Instrument	Guidance type	Proposed amendment to PBE IPSAS 41
Monetary gold	Implementation guidance	IG Section B Definitions B.1.1 Monetary gold
Currency in circulation	Implementation guidance	IG Section B Definitions B1.2.1 Currency issued as legal tender
IMF quota subscription	Illustrative example	IE 32 – Capital Subscriptions held with redemption features
Special drawing rights (SDR)	Implementation guidance	IG Section B Definitions B1.2.2 SDR Holdings B1.2.3 SDR Allocations

2.3. Proposed modifications

Monetary gold

11. Monetary gold is gold held by monetary authorities as reserve assets which are available to them when they carry out their mandates.

12. Although monetary gold shares several characteristics with financial assets, on balance the IPSASB concluded that there is no contractual right to receive cash or another financial asset and that it is not a financial asset.

13. The IPSASB has previously concluded that gold bullion is a commodity, not a financial instrument and included implementation guidance to this effect in IPSAS 41. The new clarification on monetary gold is therefore located adjacent to the guidance on gold bullion.

14. The NZASB's understanding is that New Zealand PBEs do not hold monetary gold. Although the NZASB is not aware of the existence of monetary gold in New Zealand, the NZASB is proposing to incorporate this clarification in PBE IPSAS 41, as it explains why monetary gold does not meet the definition of a financial asset.

Currency in circulation

15. The Reserve Bank of New Zealand has the sole right to issue currency – bank notes and coins – in New Zealand.

16. The IPSASB is of the view that, depending on the arrangements in a jurisdiction, issuing currency as legal tender may or may not create a financial liability for the issuer. An entity needs to consider the substance rather than the legal form of an arrangement in determining whether there is a contractual obligation to deliver cash. Contracts are evidenced by:

    (a) willing parties entering into an arrangement;

    (b) the terms of the contract create rights and obligations for the parties to the contract; and

    (c) the remedy for non-performance is enforceable by law.

17. If there is a contractual obligation to deliver cash, then a financial liability is formed when the currency is issued. The IPSASB has added implementation guidance to IPSAS 41 to reflect this position.

Question for respondents

1. Do you agree with the proposal to recognise currency in circulation as a financial liability when there is a contractual obligation to deliver cash? If you disagree, please explain why.

IMF quota subscription

18. New Zealand joined the IMF in 1961 and, as a member, is subject to the IMF quota system.[3] Quotas are the building blocks of the IMF's financial and governance structure. They determine the maximum amount of resources a member is obliged to provide to the IMF, the voting rights of members, the amount of financing a member can obtain from the IMF and a member's share in the general allocation of Special Drawing Rights (SDRs). SDRs are discussed in more detail in the next section.

19. The IPSASB considers that IMF quota subscriptions come under existing Illustrative Example 32 which it has amended to apply to "similar international organisations" in addition to the specific reference to "International Development Bank A".

Question for respondents

2. Do you agree with the conclusion that IMF quota subscriptions share a number of features with those in Illustrative Example 32 in IPSAS 41? If you disagree, please explain why.

Special drawing rights

20. SDRs are international reserve assets created by the IMF and allocated to members to supplement reserves. SDRs are neither a currency nor a claim on the IMF. SDRs are a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies.

[3] https://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas

21. SDR holdings are a claim on the currencies of IMF members and the IPSASB has concluded that they are a financial asset.

22. SDR allocations represent the obligation assumed when SDR holdings are distributed to members. These are a contractual obligation to deliver cash and are therefore regarded by the IPSASB as a financial liability.

23. The IPSASB has added implementation guidance for the recognition of SDR holdings and SDR allocations to IPSAS 41.

> **Question for respondents**
>
> 3. Do you agree with the proposal to recognise SDR holdings as financial assets, and SDR allocations as financial liabilities? If you disagree, please explain why.

2.4. Effective date

24. The effective date of PBE IPSAS 41 *Financial Instruments* is 1 January 2022. The proposed effective date of the *Proposed non-authoritative amendments to PBE IPSAS 41* is 1 January 2023, with early adoption permitted. However, when incorporated into PBE IPSAS 41, the amendments to the non-authoritative guidance will not themselves have an effective date.

> **Question for respondents**
>
> 4. Do you agree with the proposed effective date of the amendments of 1 January 2023 with early adoption permitted? If you disagree, please explain why.

2.5. Reduced disclosure regime

25. *Proposed non-authoritative amendments to PBE IPSAS 41* does not propose changes to any presentation and disclosure requirements in PBE IPSAS 41. Consequently, the ED does not propose any changes to the existing disclosure concessions for Tier 2 entities.

> **Question for respondents**
>
> 5. Do you have any other comments on the proposals in this ED?

NZASB EXPOSURE DRAFT 2022-8

Public Sector Specific Financial Instruments
(Proposed Non-Authoritative Amendments to PBE IPSAS 41)

Issued [date]

This [draft][1] Standard was issued on [Date] by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This [draft] Standard is a disallowable instrument for the purposes of the Legislation Act 2019, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on [Date].

Reporting entities that are subject to this [draft] Standard are required to apply it in accordance with the effective date, which is set out in Part D.

In finalising this [draft] Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This [draft] Tier 1 and Tier 2 PBE Standard is based on amendments issued by the International Public Sector Accounting Standards Board to clarify the accounting treatment of public sector specific financial instruments, including some instruments with characteristics similar to financial instruments.

[1] References to "this Standard" throughout this Exposure Draft should be read as referring to "this draft Standard".

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CONTENTS

Part A – Introduction

This Standard sets out amendments to PBE IPSAS 41 *Financial Instruments*.

The amendments clarify the accounting treatment of public sector specific financial instruments, including some instruments with characteristics similar to financial instruments.

Tier 2 public benefit entities are required to comply with all the requirements in this Standard.

Part B – Scope

This Standard applies to Tier 1 and Tier 2 public benefit entities.

Part C – Amendments

Amendments to PBE IPSAS 41 *Financial Instruments*

In the NZASB Basis for Conclusions, paragraphs BC17-BC19 and the related heading are added. New text is underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 41.

…

<u>Public Sector Specific Financial Instruments</u>

BC17. <u>In December 2020, the IPSASB issued *Non-Authoritative Amendments to IPSAS 41, Financial Instruments* which amended the non-authoritative Illustrative Examples and Illustrative Guidance accompanying IPSAS 41, *Financial Instruments*. The aim of those amendments was to clarify the accounting treatment of the following items that may be held by public sector entities:</u>

(a) <u>Monetary gold;</u>

(b) <u>Currency in circulation;</u>

(c) <u>International Monetary Fund special drawing rights; and</u>

(d) <u>IMF quota subscriptions.</u>

BC18. <u>The NZASB considered that some public sector PBEs in New Zealand could also find these clarifications helpful and proposed equivalent amendments to PBE Standards. In April 2022 the NZASB issued for comment NZASB ED 2022-8 *Public Sector Specific Financial Instruments* (Proposed non-authoritative amendments to PBE IPSAS 41). The NZASB noted that the clarifications would ensure that PBE IPSAS 41 continues to be aligned with IPSAS 41.</u>

BC19. <u>In [Date] 2021 the NZASB finalised the amendments and issued *Public Sector Specific Financial Instruments* (Amendments to PBE IPSAS 41).</u>

In the Illustrative Examples, paragraph IE211 is amended. Deleted text is struck through and new text is underlined.

Illustrative Examples

These examples accompany, but are not part of, PBE IPSAS 41.

…

Example 32—Capital Subscriptions Held with Redemption Features

IE211. In order to participate in and support the activities of International Development Bank A, <u>or similar international organisation,</u> Federal Government B ~~invests~~ <u>invested</u> and ~~acquires~~ <u>acquired</u> a fixed number of subscription rights in International Development Bank A, based on <u>Federal</u> Government B's proportional share of global Gross Domestic Product. Each subscription right costs CU1,000, <u>which</u> provides <u>Federal</u> Government B with the right to put the subscription rights back to <u>International Development</u> Bank A in exchange for the initial amount invested (i.e., CU1,000 per subscription right). International Development Bank A has no obligation to deliver dividends on the subscription rights.

…

In the Implementation Guidance, sections B.1.1 to B.1.2.3 and the related headings are added. New text is underlined.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 41.

…

Section B Definitions

<u>Section B provides non-authoritative guidance on whether certain items meet the definitions in PBE IPSAS 41.</u>

B.1 Definition of a Financial Instrument: Gold Bullion

Is gold bullion a financial instrument (like cash) or is it a commodity?

It is a commodity. Although bullion is a highly liquid asset, there is no contractual right to receive cash or another financial asset inherent in bullion.

<u>B.1.1 Definition of a Financial Instrument: Monetary Gold</u>

<u>Is monetary gold a financial instrument (like cash)?</u>

<u>No. Similar to gold bullion, monetary gold is not a financial instrument as there is no contractual right to receive cash or another financial asset inherent in the item. However, given that monetary gold shares several characteristics with a financial asset, applying the principles set out in PBE IPSAS 41 is generally appropriate under the hierarchy set out in paragraphs 9–15 of PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*. It may however be appropriate for an entity to consider other PBE Standards depending on the facts and circumstances related to its holding of monetary gold.</u>

<u>B.1.2 Public Sector Specific Financial Instruments</u>

<u>B.1.2.1 Definition of a Financial Instrument: Currency Issued as Legal Tender</u>

<u>Does issuing currency as legal tender create a financial liability for the issuer?</u>

<u>It depends. Currency derives its value, in part, through the statutory arrangement established between the issuer and the holder of the currency whereby currency is accepted as a medium of exchange and is recognised legally as a valid form of payment. In some jurisdictions, this statutory arrangement further obligates the issuer to</u>

exchange currency when it is presented by holders and may explicitly indicate that currency is a charge on government assets.

For the purposes of this Standard, an entity considers the substance rather than the legal form of an arrangement in determining whether there is a contractual obligation to deliver cash. Contracts are evidenced by the following:

- Willing parties entering into an arrangement;
- The terms of the contract create rights and obligations for the parties to the contract; and
- The remedy for non-performance is enforceable by law.

When laws and regulations or similar requirements enforceable by law, such as a Banking Act, set out the requirements and responsibilities of an entity to exchange outstanding currency, a "contract" exists for the purposes of this Standard. A financial liability is created when an entity issues currency to the counterparty as, at this point, two willing parties have agreed to the terms of the arrangement. Where no financial liability exists, an entity should consider whether an obligation is created in accordance with paragraphs 22–43 of PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*. Prior to currency being issued, there is no transaction between willing parties. Unissued currency does not meet the definition of a financial instrument. An entity applies paragraph 13 of PBE IPSAS 12 *Inventories* in accounting for any unissued currency.

B.1.2.2 Definition of a Financial Instrument: Special Drawing Rights (SDR) Holdings

Do Special Drawing Rights (SDR) Holdings meet the definition of a financial asset?

Yes. SDR holdings represent a claim on the currencies of members of the International Monetary Fund (IMF). SDRs can be used in transactions with the IMF or can be exchanged between participants of the IMF's SDR Department. Liquidity is guaranteed by a mechanism requiring participants to deliver cash in exchange for SDRs. Accordingly, SDR holdings are regarded as a financial asset.

B.1.2.3 Definition of a Financial Instrument: Special Drawing Rights (SDR) Allocations

Do Special Drawing Rights (SDR) Allocations meet the definition of a financial liability?

Yes. SDR allocations represent the obligation assumed when SDR holdings are distributed to members. IMF members must stand ready to provide currency holdings up to the amount of their SDR allocation. This represents a contractual obligation to deliver cash. Accordingly, SDR allocations are regarded as a financial liability.

…

Part D – Effective Date

This Standard shall be applied for annual periods ending on or after [proposed date is 1 January 2023]. Earlier application is permitted.