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المنظمة الدولية لهيئات الأوراق المالية

24, January, 2022

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Our Ref: 2022/O/C1/IASB/MS/3

RE: Exposure Draft 2021/7 – Subsidiaries Without Public Accountability: Disclosures

Dear International Accounting Standards Board (IASB or the "Board") Members,

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1) thanks you for the opportunity to provide our comments on the Exposure Draft on Subsidiaries Without Public Accountability: Disclosures.

IOSCO is committed to promoting the integrity of the international markets through promotion of high-quality accounting standards, including rigorous application and enforcement. Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. Unless otherwise noted, the comments provided herein reflect the consensus among members of Committee 1 and are not intended to include all the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

General Comment

Members support the IASB's proposed objective of specifying reduced disclosure requirements for the financial statements of subsidiaries that are within the scope of the ED. We think that the Board's proposals would have the benefit of encouraging subsidiaries within the scope to apply IFRS standards rather than another (local) GAAP because of the reduced complexities in doing so, and that such an approach could reduce costs for subsidiaries to prepare financial statements under IFRS. As well, the Board's proposal would result in subsidiaries within scope applying IFRS recognition and measurement requirements, and we think this could reduce the risk of errors occurring in the IFRS consolidation package prepared by the subsidiary for the parent and thus promote the overall quality of the consolidated financial statements of

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the parent, all while maintaining the information needed by the users of the subsidiaries' financial statements.

Scope

Members agree that the proposals in the ED should be limited to subsidiaries without public accountability that have a parent that produces financial statements for public use that comply with IFRS standards. However, members suggest narrowing the scope further whereby entities whose financial statements are required to be filed with a regulator be precluded from applying this standard, even when such an entity would otherwise meet the scope requirements. For example, if a regulator requires subsidiaries (that would otherwise be in scope of the Board's proposal) to file full IFRS financial statements, then those subsidiaries should not be permitted to apply the proposed standard. Members are of the view that the proposals should encourage entities who do not currently apply IFRS to do so, rather than having entities that already apply full IFRS revert to a simpler or less robust disclosure approach.

Statement of Compliance

Lastly, members are concerned that if a subsidiary that applies the proposed standard is required to make an explicit and unreserved statement of compliance with IFRS standards, as contemplated in paragraph 110, this could create confusion in the marketplace because the subsidiary did not in fact apply the full disclosure requirements of those standards. We think that this confusion would exist notwithstanding that the subsidiary would also need to disclose that it has applied the proposed standard.

If you have any questions or need additional information, please do not hesitate to contact Cameron McInnis, Chair of the Accounting Subcommittee of Committee 1 at +1 416-593-3675 or myself. In case of any written communication, please mark a copy to me.

Yours sincerely,

Makoto Sonoda

Chair
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