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March 3, 2008

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Exposure Draft of Proposed Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Exposure Draft of Proposed Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*.

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

Specific Comments

Question 1 – Use of Deemed Cost

The exposure draft proposes to allow an entity, at its date of transition to IFRSs in its separate financial statements, to use a deemed cost to account for an investment in a subsidiary, jointly controlled entity or associate. The exposure draft proposes that an entity may choose as the deemed cost of such investments either the fair value or the previous GAAP carrying amount of

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the investment at the entity's date of transition to IFRSs (see paragraph 23A and 23B of the draft amendments to IFRS 1 and paragraphs BC8-BC13 of the Basis for Conclusions).

Do you agree with the two deemed cost options as they are described in this exposure draft? If not, why?

Response:

We understand that the Board is proposing to permit the use of a "deemed cost" because of practical difficulties encountered by entities in determining cost in accordance with IAS 27 upon first-time adoption of IFRSs and therefore we do not object to the Board's proposal.

Question 2 - Change in scope

The exposure draft proposes that the deemed cost option should be available for the initial measurement of investments in jointly controlled entities and associates when an entity adopts IFRSs in its separate financial statements (see paragraph BC14 of the Basis for Conclusions).

Do you agree with the proposal to allow the deemed cost option for investments in jointly controlled entities and associates? If not, why?

Response:

We understand that the Board is proposing that the deemed cost exemption be provided for investments in subsidiaries, associates and jointly controlled entities because similar practice issues arise with all of these investments and both IAS 28, *Investments in Associates* and IAS 31, *Interests in Joint Ventures* refer to IAS 27 in their requirements for accounting in the investor's separate financial statements. We do not object to the Board's proposal.

Questions 3 and 4 - Cost method

The exposure draft proposes to delete the definition of the "cost method" from IAS 27. Additionally, the exposure draft proposes to amend IAS 27 to require an investor to recognise as income dividends received from a subsidiary, jointly controlled entity or associate in its separate financial statements. The receipt of this dividend requires the investor to test its related investment for impairment in accordance with IAS 36 *Impairment of Assets* (see paragraphs 4 and 37B of the draft amendments to IAS 27 and paragraphs BC 15-BC20 of the Basis for Conclusions).

Question 3

Do you agree with the proposal to delete the definition of the cost method from IAS 27? If not, why?

Response:

We do not have objections to the idea of deleting the definition of the cost method from IAS 27, but please see our response to Question 4 below.

Question 4

Do you agree with the proposed requirement for an investor to recognise as income dividends received from a subsidiary, jointly controlled entity or associate and the consequential requirement to test the related investment for impairment? If not, why?

Response:

We understand that the Board proposes to amend IAS 27 to require an investor to recognize as income dividends received from a subsidiary, jointly controlled entity or associate in its separate financial statements because of various practical implementation issues, as discussed in paragraphs BC15-BC20. The investment would be tested for impairment in accordance with

IAS 36, *Impairment of Assets*. We question whether the Board has fully considered all of the consequences of changing to the proposed approach. For example, it is unclear why the Board, in treating dividends received by an investor as income, believes a distinction between return *of* investment and return *on* investment is no longer useful, as this is not discussed in the Basis for Conclusions. The proposed change also raises questions as to how the dividends should be classified for cash flow presentation purposes (operating versus investing). The Exposure Draft does not discuss whether the Board has considered these or similar issues.

Because it is not clear from the Exposure Draft why the proposed approach is preferable to the current approach in IAS 27, we suggest that the proposed accounting only apply to those entities for which it is not practicable to apply the current IAS 27 model.

Question 5 – Formation of a new parent

The exposure draft proposes that in applying paragraph 37(a) of IAS 27 to the formation of a new parent, the new parent should measure cost using the carrying amounts in the separate financial statements of the existing entity at the date of the formation (see paragraph 37A of the draft amendments to IAS 27 and paragraphs BC21 and BC22 of the Basis for Conclusions).

Do you agree with the proposed requirement that, in applying paragraph 37(a) of IAS 27, a new parent should measure cost using the carrying amounts of the existing entity? If not, why?

Response:

While we do not necessarily disagree with the accounting proposed in paragraph 37A of IAS 27 and discussed in paragraphs BC21 and 22, we are concerned about misinterpretation as to when such accounting should be applied. While it appears clear to us that the Board was intending the accounting in paragraph 37A of IAS 27 to be applied only in the limited fact pattern described in that paragraph, we have concerns that others may believe that it is acceptable to analogize to paragraph 37A in other situations that are not the same as the fact pattern described (for example, reorganisations in which new ownership interests are introduced). We suggest that the Board clarify the scope of transactions to which the accounting in paragraph 37A would apply, or explicitly state that the accounting should not be applied by analogy in circumstances that are different than those described in paragraph 37A.

Additionally, we have a few suggestions for items the Board may want to clarify. Given the words “either a parent or single entity”, we suggest clarifying if the treatment would be available where a new parent is introduced above an existing parent of a subgroup within a larger group. Also, we suggest clarifying the intended meaning of “formation” date of the new parent. It appears that the intention is to mean the date when the new parent is interposed between the existing entity and its owners.

Question 6 - Transition

The exposure draft proposes that the amendments to IFRS 1 and IAS 27 shall be applied prospectively.

Do you agree that prospective application of the proposed amendments to IFRS 1 and IAS 27 is appropriate? If not, why?

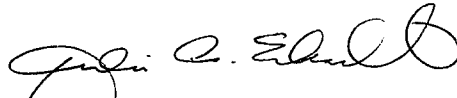
Response:

We have no objection to the proposed application of the proposed amendments to IFRS 1 and IAS 27.

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We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie A. Erhardt". The signature is fluid and cursive, with a large initial "J" and "E".

Julie A. Erhardt

Chair

IOSCO Standing Committee No. 1