OICV-IOSCO

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

8 March 2016

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

RE: Annual Improvements to IFRSs, 2014-2016 Cycle

Our Ref: 2016/JE/C1/IASB/50

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1 or C1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Exposure Draft: *Annual Improvements to IFRSs, 2014-2016 Cycle (the Exposure Draft or ED).*

IOSCO is committed to promoting the integrity of 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. The comments we have provided herein reflect a general consensus among the members of Committee 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.

General Observations

Members generally agree with the proposed amendments. However, members had the following observations that they want to bring to the attention of the IASB.

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68
mail@oicv.iosco.org - www.iosco.org

Amendments to IAS 28, Investments in Associates and Joint Ventures

Members appreciate the IASB proposal to clarify that the election to measure investments in associates or joint ventures at fair value that exists in IAS 28 is available on an investment-by-investment basis upon initial recognition. Members believe this is a reasonable option to be available to venture capital organizations or mutual funds, unit trusts and similar entities including investment linked insurance funds, which are not investment entities.

Members observe that under IFRS 10, *Consolidated Financial Statements*, a parent entity that qualifies as an investment entity is precluded from consolidating its subsidiaries and instead shall measure its investments in such subsidiaries at fair value through profit or loss in accordance with IFRS 9, *Financial Instruments*. Furthermore, IFRS 10, paragraph 27(c) states that an investment entity is an entity that "measures and evaluates the performance of substantially all of its investments on a fair value basis." Paragraph B85K of IFRS 10 indicates that an investment entity "...measures substantially all of its investments at fair value in its financial statement whenever fair value is required *or permitted* in accordance with IFRSs." Paragraph B85L goes on to elaborate that "in order to meet the requirement in B85K(a), an investment entity would (b) elect the exemption from applying the equity method in IAS 28 for its investments in associates and joint ventures."

Based on the aforementioned guidance, members believe that a parent entity that qualifies as an investment entity would have to report investments in subsidiaries as well as associates and joint ventures at fair value. However, this requirement in order to report as an investment entity under IFRS 10 is not noted in this ED and as such members fear the amendment to IAS 28 may lead to confusion amongst preparers regarding whether they are required to adhere to IFRS 10 paragraphs 27(c) and B85K when accounting for investments in associates and joint ventures held by an investment entity. Members believe the IASB should clarify this overarching requirement in IFRS 10 for investment entities in the Basis for Conclusion of this ED, or otherwise provide cross-reference to the appropriate guidance in IFRS 10 such that this confusion can be avoided.

IFRS 5 Disclosures

Members appreciate the IASB's clarification regarding the scope of the disclosure requirements in IFRS 12, *Disclosure of Interests in Other Entities*. However, members question whether all the disclosure requirements of IFRS 12 will be relevant when an entity is

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68
mail@oicv.iosco.org - www.iosco.org

held for sale and therefore subject to the accounting and disclosure requirements in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. If IFRS 5 is intended to establish a new measurement basis for the entity, then members believe some, if not all, of the measurement disclosures required under IFRS 12 will not be relevant and recommend that the IASB state this in the final amendment. For example, the disclosures required pursuant to paragraph 21(b)(i) about whether the investment is measured using the equity method or fair value would not seem relevant when the entity is measured on the basis of lower-of-cost-or-market as required in IFRS 5. However, certain disclosures in IFRS 12 may continue to be relevant despite an entity changing its measurement basis pursuant to IFRS 5. For example, paragraph 7 of IFRS 12 requires disclosure pertaining to the significant judgments or assumptions used by an entity to determine whether it has control over another entity. This information may be relevant irrespective of the measurement basis for the entity. Therefore, we recommend that the IASB clarify that when a new measurement basis is established under IFRS 5 for an entity held for sale, which specific disclosures in IFRS 12 would continue to be required.

* * * *

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,

Julie A. Erhardt
Chair
Committee on Issuer Accounting, Audit and Disclosure
International Organization of Securities Commissions

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68
mail@oicv.iosco.org - www.iosco.org