



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organizaç o Internacional das Comiss es de Valores
Organizaci n Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

September 5, 2019

International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London
E14 4HD
United Kingdom

RE: ED/2019/3 – *Reference to the Conceptual Framework Proposed amendments to IFRS 3*

Our ref: 2019/O/MS/C1/IASB/122

Dear International Accounting Standards 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 regarding the International Accounting Standards Board (IASB or the Board) Exposure Draft ED 2019/3: *Reference to the Conceptual Framework Proposed Amendments to IFRS 3* (the Exposure Draft or ED).

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. The comments we have provided herein reflect the 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

We support the IASB’s objective to update the reference in IFRS 3 in a manner that would not result in any (new) unintended consequences. IOSCO members agree that the proposals in the ED would meet that objective, and therefore agree with the proposals. Drafting comments to improve the overall understandability of the proposed amendments have been provided in Appendix A for the IASB’s consideration.



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Other Comment

BC6 of the ED comments on day 2 losses and gains resulting from recognition differences. Specifically, it notes that a “so-called ‘day 2’ loss or gain would not depict an economic loss or gain, so would not be a faithful representation of any aspect of the acquirer’s financial performance.”

IFRS 3 requires an acquirer to measure all identifiable assets acquired and liabilities assumed at their acquisition date fair values (with limited exceptions), and then subsequently in accordance with other applicable IFRSs for those items. In the case of provisions assumed by the acquirer as part of a business combination, the applicable standard is IAS 37. Applying IFRS 13 to measure a provision assumed as part of a business combination at the acquisition date, and then IAS 37 subsequently, can result in day 2 adjustments to the value of the provision due to differences between the measurement requirements in those two IFRSs. Given the IASB’s view that a day 2 loss or gain related to *recognition* would not be a faithful representation of any aspect of the acquirer’s financial performance, some members recommend that the IASB also consider day 2 losses or gains related to *measurement* as part of its current on-going research project on Provisions.

We appreciate your thoughtful consideration of the responses provided in this letter. 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.

Sincerely,

Makoto Sonoda
Chair
Committee on Issuer Accounting, Audit and Disclosure
International Organization of Securities Commissions



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Appendix A: Drafting Comments

Proposed paragraph 21B refers to both a provision and a contingent liability. To improve the understandability of the standard, some members recommend that the IASB consider separating the two concepts. For example, by deleting the reference to contingent liability in paragraph 21B so that this paragraph focusses on the treatment of provisions in the context of a business combination. Paragraph 21B could then also include a reference to paragraph 14 (which includes the concept of legal and constructive obligations), and to paragraphs 15-26 of IAS 37 that provides guidance on how to understand the complete definition of a provision in IAS 37.

Paragraph 23 on contingent liabilities could then be clarified to state that a “present obligation” and “reliable estimate” should be interpreted as discussed in paragraphs 15-22 and 25-26 of IAS 37.