



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

11 April 2017

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

RE: IASB Exposure Draft – Annual Improvements to IFRS Standards 2015-2017 Cycle

Our Ref: 2017/PK/C1/IASB/18

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 IFRS Standards 2015-2017 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.

Question 1: Proposed amendments

Do you agree with the Board's proposal to amend the Standards in the manner described in the Exposure Draft? If not, why, and what alternative do you propose?

Response:

Proposed Amendments to IAS 12, *Income Taxes*

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In some jurisdictions there are questions about how to determine whether payments on financial instruments classified as equity are distributions of profits (i.e., dividends). In this regard, we acknowledge the Board's reasoning in paragraph BC6 of the Basis for Conclusions on the proposed amendments to IAS 12 as to why it decided not to propose further guidance as part of the Annual Improvements cycle. In the absence of additional clarifications, we are concerned that diversity in practice will continue. Therefore, we would support the Board further considering this issue as a separate project.

Proposed Amendments to IAS 23, *Borrowing Costs*

We believe the addition of an example would assist in clarifying the intended application of the amended guidance.

Regarding transition, we support prospective application for the reasons discussed at the IASB meeting in October 2015.

Proposed Amendments to IAS 28, *Investments in Associates and Joint Ventures*

The proposed amendments do not explain in which order an entity should perform: (i) the impairment of long-term interests according to IFRS 9; and (ii) the impairment of the net investment according to IAS 28. The inconsistencies arising from an arbitrary ordering would be amplified when applying the expected loss model under IFRS 9 compared to the incurred loss model under IAS 39. Hence, some members consider that a clarification is needed for a consistent application of the proposed amendment.

In addition, we believe the addition of an example would assist in clarifying the intended application of the amended guidance.

To further clarify the understandability of the proposed amendments, we suggest adding the following words to the end of the second sentence in proposed paragraph 14A (added words are underlined): "These include financial instruments that are long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture but to which the equity method is not applied (see paragraph 38)."

Finally, some members encounter difficulties in their jurisdictions in interpreting the existing guidance related to long-term interests that, in substance, form part of an entity's net investment in an associate or joint venture. We believe there would be value in the Board considering a separate project to specify the types of interests in an associate or joint venture that should be accounted for under the equity method, and those that should be accounted for under IFRS 9.



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Question 2: Effective date of the proposed amendments to IAS 28 *Investments in Associates and Joint Ventures*

The Board is proposing an effective date of 1 January 2018 for the proposed amendments to IAS 28. The reasons for that proposal are explained in paragraphs BC7-BC9 of the Basis for Conclusions on the proposed amendments to IAS 28.

Do you agree with the effective date for those proposed amendments? If not, why, and what alternative do you propose?

Response:

We do not have comments on the proposed effective date. Some members note there is an endorsement process in their jurisdictions that must be completed before amendments to IFRSs become effective in that jurisdiction.

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 Jenifer Minke-Girard, Vice Chair of Committee 1 at +1 202-551-5300. In case of any written communication, please mark a copy to me.

Sincerely,

Parmod Kumar Nagpal
Chair
Committee on Issuer Accounting, Audit and Disclosure
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