



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

11 January 2018

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

RE: Exposure Draft: Definition of Material (Proposed amendments to IAS 1 and IAS 8)

Our ref: 2018/PK/C1/IASB/2

Dear International Accounting Standards Board Members:

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Auditing 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: *Definition of Material (Proposed amendments to IAS 1 and IAS 8)*.

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 Observation**

We generally support the IASB refining the definition of *material* but not making any wholesale changes to the definition. Committee 1 members note that the current definition of *material* generally has not caused practice issues, and generally agree with the IASB's conclusion to keep the current definition largely intact.

Our detailed feedback on certain aspects of the proposal is provided below.

### **Responses to the Board's Questions**

#### **Question 1**

The Board proposes amendments to IAS 1 and IAS 8 to align the definition of material between IFRS Standards and the *Conceptual Framework*, and to include in the definition some of the existing requirements in IAS 1. The

Calle Oquendo 12  
28006 Madrid  
ESPAÑA  
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68

Board also proposes to clarify the explanation accompanying the definition using existing guidance in IAS 1 and the *Conceptual Framework*.

(a) Do you agree that the definition of material and the accompanying explanation should be clarified as proposed in this Exposure Draft? If you do not agree, what changes do you suggest and why?

(b) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?

**Response:**

Committee 1 members agree with the refinements to the definition that are being proposed, including taking the concepts that currently exist in IAS 1 *Presentation of Financial Statements* and making them part of the definition. This change includes replacing the threshold “could influence” with “could reasonably be expected to influence” to incorporate the existing clarification in paragraph 7 of IAS 1 and including “obscuring information” in the definition to incorporate an existing requirement in paragraph 30A of IAS 1.

Some Committee 1 members believe that it would be helpful for the IASB to provide further guidance on what it means to “obscure” information. This concept is difficult to apply even today in practice given the significant amount of judgement and by adding it to the definition, this concept takes on greater prominence. The members would acknowledge that this concept of obscuring information is discussed in IFRS,<sup>1</sup> but there does not appear to be a guiding principle on what it means to “obscure.” It would be helpful for the Board to provide principles or considerations on what it means to obscure or not obscure and how to apply these concepts in practice.

**Question 2**

The Board issued the Materiality Practice Statement in September 2017 and expects to issue a revised *Conceptual Framework* in the second half of 2017. If any changes are made to IFRS Standards as a result of the proposals in this Exposure Draft, the Board will make amendments to these two documents.

The Board believes that the guidance in both the Materiality Practice Statement and the forthcoming revised *Conceptual Framework* will not be affected by the proposed amendments in this Exposure Draft, other than to update the definition of material (see paragraphs BC22–BC24).

Do you have any comments on the proposed amendments to the Materiality Practice Statement or to the forthcoming revised *Conceptual Framework*?

**Response:**

Committee 1 members are supportive of the Board’s proposal to make conforming changes to the Materiality Practice Statement and the forthcoming revised *Conceptual Framework*.

---

<sup>1</sup> The concept of obscuring information is discussed in several places in IFRS. The following are examples and are not meant to be an exhaustive list: IFRS 12 — *Disclosure of Interests in Other Entities* (IFRS 12.4); IFRS 15 — *Revenue from Contracts with Customers* (IFRS 15.111); IAS 19 — *Employee Benefits* (IAS 19.BC207); IFRS 7 — *Financial Instruments: Disclosures* (IFRS 7.B3).



**Question 3**

Do you have any other comments on the proposals?

**Response:**

We do not have any additional comments.

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 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,

A handwritten signature in black ink, appearing to read 'Parmod Kumar Nagpal', with a stylized flourish at the end.

Parmod Kumar Nagpal  
Chair

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