



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

July 24th, 2019

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

Ref: 2019/MS/C1/IASB/32

RE: ED/2019/2 – Annual Improvements to IFRS Standards 2018-2020

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: *Annual Improvements to IFRS Standards 2018-2020 (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.

Questions for respondents

Proposed amendments (please answer individually for each proposed amendment)

Do you agree with the Board's proposal to amend the Standards and accompanying documents in the manner described in the Exposure Draft?

If not, why not, and what do you recommend instead?

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Response

Proposed Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards

We agree with the proposed amendment to IFRS 1 to require a subsidiary that elects to apply the carrying amounts included in the parent's financial statements to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS.

Some members however suggest extending the scope of the amendment to other components of equity. Although the Basis of Conclusions (BC4 of the ED) indicates that extending the scope to other components of equity is unnecessary because there is no difference or because other exemptions are available, some members indicate that such extension would lead to a more principle-based requirement.

Proposed Amendments to IFRS 9, Financial Instruments

We agree with the proposed amendment to clarify which fees an entity includes when it applies the '10 per cent' test in IFRS 9 to assess whether to derecognize a financial liability.

We note the IASB's decision not to propose an amendment to IAS 39 *Financial Instruments: Recognition and Measurement*, based on the limited applicability of IAS 39. However, since there is a possibility for entities issuing insurance contracts to continue to use IAS 39, we are of the view that a similar amendment should be made to IAS 39.

Proposed Amendment to Illustrative Examples accompanying IFRS 16, Leases

Members are of the view that removing the reference to the reimbursement of leasehold improvements from IE 13 would eliminate the apparent conflict between IFRS 16 and the IE. However, the proposed amendment does not address the confusion regarding the treatment of such reimbursements.

We note that reimbursements of costs related to leasehold improvements by the lessor to the lessee are common in practice. It is unclear whether BC 2 is suggesting that the reimbursement of a leasehold improvement by the lessor is never a lease incentive, or whether underlying facts would dictate whether such reimbursements are lease incentives. In absence of clarification as to when reimbursements by the lessor to the lessee for leasehold improvements should be considered lease incentives and when they should not, we are concerned that confusion and diversity in practice will remain. Therefore, we recommend that the IASB retains the fact pattern of illustrative example 13 and clarifies how an entity should



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evaluate whether payments made from the lessor to the lessee would be included in the cost of the right-of-use asset.

Proposed Amendment to IAS 41, Agriculture

Members did not express concerns regarding this proposed amendment.

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