



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

8 May 2020

International Accounting Standards Board  
7 Westferry Circus  
Canary Wharf  
London E1H 4HD  
United Kingdom

RE: ED/2020/2 – *Covid-19-Related Rent Concessions Proposed Amendments to IFRS 16*

Our ref: 2020/O/C1/IASB/MS/61

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 ED 2020/2: *Covid-19-Related Rent Concessions Proposed Amendments to IFRS 16* (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**

IOSCO's members are supportive of the proposed amendments and agree with the need to provide relief for lessees given the challenges they face stemming from the volume of modifications arising in response to covid-19, as outlined in the ED. We commend the IASB's efforts in developing these proposals on an expedited basis to support stakeholders at this difficult time.

While we agree that the proposals in the ED meet the objective of providing practical relief to lessees for covid-19 related rent concessions while still enabling the provision of useful information about their leases to users of financial statements, we have the following comments:



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

### ***Scope of Application***

IOSCO members support the overall approach taken by the Board in proposed paragraph 46B, however, we have the following specific comments:

- Some members suggest that the Board include an explicit statement that the practical expedient cannot be applied by analogy to any other facts and circumstances in order to help reinforce the intended narrow scope of application. These members believe this is especially important, given that there may be other rent concessions or changes to lease contracts unrelated to covid-19, or in addition to those that are related to covid-19, that are occurring during this time.
- We understand that the Board’s intent is to make the practical expedient readily available so that lessees who are impacted by rent concessions (and meet the conditions in proposed paragraph 46B) do not need to undertake detailed or onerous assessments of when such a concession might constitute a “direct consequence” of the covid-19 pandemic. However, some members are concerned that there may be a wide variation in how stakeholders interpret the term “direct consequence”, thus these members think it would be helpful for the IASB to provide additional guidance on the application of this threshold, and the extent of information needed to support that a rent concession is a “direct consequence” of the covid-19 pandemic.
- While we understand the Board’s purpose in limiting the timeframe within which the *reductions* in lease payment occur to 2020, some members suggest that the Board consider whether the scope should be expanded to include rent concessions *provided* in 2020, given that those concessions may, in some cases, result in reductions in 2021.

### ***Illustrative Examples***

IOSCO members are of the view that illustrative examples to demonstrate the application of the practical expedient would be useful. Specifically, the Board could build upon the examples in Table 1 of Agenda Paper 32B to illustrate the accounting consequences for changes to lease payments and when the practical expedient would apply, including:

- Deferral of Lease Payments, and in particular the determination of interest when there is a deferral, and the recalculation of the present value of the remaining lease payments, as applicable (and greater clarification that not all deferrals of lease payments constitute a lease modification, and in which case, the accounting impact would remain unchanged whether or not an entity elects to apply the practical expedient).



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

- Forgiveness of lease payments that results in negative variable lease payments that are in the scope of IFRS 16.38.
- The impact of the time-value of money on the accounting for deferrals and forgiveness of lease payments under the practical expedient should be expanded in the examples to provide greater clarity (as it is not evident from the examples in Table 1 of Agenda Paper 32B).

Further, some members are of the view that the proposed amendments should include references to clarify the existing paragraphs in IFRS 16 that would be applicable when the rent concession does not constitute a modification. However, notwithstanding the above, we acknowledge that the proposed amendments will be most helpful if provided in a timely manner, and that the development of examples for inclusion within the standard and references to existing IFRSs within the body of the proposed amendments could delay the publication. If development of examples would delay the publication of the final amendment, we think the Board could instead consider the development and publication of such examples as educational materials after the amendment is finalized.

#### ***Asymmetry with Lessor Accounting***

A few members are of the view that a symmetrical amendment for lessors would also be useful. These members observe that there may be instances where lessors may face operational issues in assessing large volumes of lease contracts. Many lessors have business operations in different jurisdictions impacted by the pandemic and the type and form of lease contracts in these jurisdictions could vary significantly. Excluding lessors would result in asymmetry between lessors and lessees, which may be particularly challenging for intermediate lessors. However, members note that any such changes in the scope should not delay the finalisation of the proposed amendments for lessees, which will only be helpful if provided in a timely manner.

#### ***Continued Monitoring of the Effects of the Pandemic***

As noted above, we commend the IASB's efforts to identify and respond to practical issues for stakeholders arising from the covid-19 pandemic. We encourage the IASB to continue to monitor whether additional expedited responses may be needed given that the length and severity of the pandemic is currently unknown.



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

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