



OICV-IOSCO

Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
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September 23, 2010

Exposure Draft: Presentation of Items of Other Comprehensive Income: Proposed amendments to IAS 1
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: ED: Presentation of Items of Other Comprehensive Income: Proposed amendments to IAS 1

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Exposure Draft on Presentation of Items of Other Comprehensive Income: Proposed Amendments to IAS 1 (the ED or the Exposure Draft).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 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 Standing Committee No. 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.

Standing Committee No. 1 does not have comments on all of the proposed improvements in the Exposure Draft. Accordingly, we have only responded below to certain of the Board's questions in the Exposure Draft.

General Observation

To ultimately solve issues underlying other comprehensive income (OCI), we recommend the IASB and the FASB (collectively, the Boards) commit to a undertake work on performance measurement and what is OCI. Certain areas of both IFRS and U.S. GAAP require recognition of items with differing characteristics in OCI, resulting in an aggregate OCI measure that is often confusing to users. Recent Board decisions have increased the number of items presented in OCI, making efforts on performance measurement even more important. Accordingly, we recommend the Boards undertake work to define OCI providing a robust concept for classifying income items as OCI.

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With respect to the current ED, most members support the Boards' proposal to present one statement of comprehensive income that contains two sections – profit or loss and items of other comprehensive income. These members believe that the ED will give more prominence to items of other comprehensive income, enhance comparability of financial statements by removing one of the two options for presenting income, and further converge with U.S. GAAP.

At the same time, other members question the purpose and priority of this project on its own. Specifically, these members do not believe that the ED results in a fundamental change to presentation. Further, although this project may improve comparability of financial statements, there continues to be optionality in the presentation of OCI that undermines this objective (please refer to our responses to questions 4 and 6 below). In addition, these members note that while this project converges IFRS and U.S. GAAP in some respects, there continues to be a number of differences related to presentation of OCI items (please refer to our response to question 6 below), the nature of OCI items, and the recycling of OCI items to profit or loss.

These members, however, would not object to this project, if the Boards committed to address the underlying matters, as discussed above. However, these members are concerned that the amendments in this ED, if a first step in a more comprehensive project, may be reversed in the later project, resulting in unnecessary changes to which constituents must adjust.

Responses to the Board's Questions

Question 2: *The proposals would require entities to present a statement of profit or loss and other comprehensive income with two sections—profit or loss and items of other comprehensive income. The Board believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?*

Please refer to General Observation above.

Question 3: *The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?*

We support the Board's proposal to separate items that will be recycled into profit or loss in subsequent periods from those that will not, as this segregation will provide insight into the potential effects on profit or loss in future periods for those users who focus more on profit or loss rather than comprehensive income. In addition, this segregation will make IFRS financial statements more comparable with U.S. GAAP financial statements.

Notwithstanding this support for separate presentation, we support the premise that items in OCI should generally be recycled into profit or loss, with separate presentation of the reclassification adjustments in both the OCI and the profit or loss sections of the statement of comprehensive income. As previously stated, we also support the Boards undertaking work to define OCI.

Question 4: *The exposure draft also proposes to require that income tax on items presented in OCI should be allocated between items that might be subsequently reclassified to profit or loss and those that will not be reclassified subsequently to profit or loss, if the items in OCI are presented before tax. Do you support this proposal? Why or why not? What alternative do you propose and why?*

We support the Board's proposal to allocate income tax on items presented in OCI between those that will be recycled into profit or loss in subsequent periods and those that will not, for the reasons stated in our response to question 3 above.

However, although the Boards seek to improve the comparability of financial statements, we note that the ED does not eliminate the options surrounding the presentation of income taxes on items presented in OCI. Specifically, IAS 1.91 currently permits entities to present items in OCI either gross or net of taxes. Further, IAS 1.90 currently permits presentation of the income tax impact on items in OCI on the face of the statement of comprehensive income or in the notes. We recommend that the IASB and the FASB jointly eliminate the options surrounding the presentation of income taxes on items presented in OCI.

Please refer to our response to question 6 below regarding other examples of continuing optionality.

Question 5: *In the Board's assessment:*

(a) the main benefits of the proposals are:

- (i) presenting all non-owner changes in equity in the same statement.*
- (ii) improving comparability by eliminating options currently in IAS 1.*
- (iii) maintaining a clear distinction between profit or loss and items of other comprehensive income.*
- (iv) improving clarity of items presented in OCI by requiring them to be classified into items that might be reclassified subsequently to profit or loss and items that will not be reclassified subsequently to profit or loss.*

(b) the costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments.

Do you agree with the Board's assessment? Why or why not?

We agree that the costs of these proposals are minimal. Regarding the benefits, please refer to General Observations above.

Question 6: *Do you have any other comments on the proposals?*

We note that this project does not fully converge IFRS and U.S. GAAP requirements regarding the presentation of OCI. Differences in presentation requirements include the following:

- IAS 1.94 would continue to allow reclassification adjustments to be presented on the face of the statement of comprehensive income or in the notes, whereas the FASB's proposal would require presentation of reclassification adjustments on the face of the statement of comprehensive income (ASC 220-10-45-17). We recommend the FASB's approach to give prominence to these reclassification adjustments and to eliminate alternative treatments.
- IAS 1.82A, as proposed, requires other comprehensive income line items to include an entity's share of other comprehensive income of associates and joint ventures accounted for using the equity method, whereas ASC 323-10-45-3 permits, but does not require, the approach under IAS 1.82A.

- IAS1.83 requires disclosure of profit or loss attributable to non-controlling interests and of comprehensive income attributable to non-controlling interests, whereas ASC 810-10-50-1A(c) requires disclosure of each item of other comprehensive income attributed to non-controlling interests.
- Terminology differs in certain respects. For example, IFRS generally refers to “items” of other comprehensive income, whereas US GAAP generally refers to “components” of other comprehensive income.

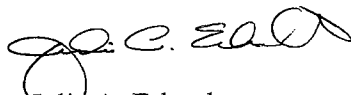
Accordingly, we recommend that the IASB and the FASB fully converge their requirements for the presentation of other comprehensive income, to the extent possible, recognizing that IFRS and U.S. GAAP differ in their recognition and measurement of OCI items.

In addition, we believe it would be helpful if the Boards provide guidance regarding the presentation of items of OCI related to discontinued operations. Specifically, it would be helpful if the Boards clarified that items of OCI related to discontinued operations should be presented separately in the OCI section of the statement of comprehensive income, rather than aggregated with items of OCI related to continuing operations.

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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 me at 202-551-5300.

Sincerely,



Julie A. Erhardt
Chairman
IOSCO Standing Committee No. 1