



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

August 21, 2012

International Accounting Standards Board
30 Cannon Street
London
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United Kingdom

Our Reference: 2012/JE/C1/IFRIC/77

RE: Draft IFRIC Interpretation: Levies Charged by Public Authorities on Entities that Operate in a Specific Market

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Draft IFRIC Interpretation on Levies Charged by Public Authorities on Entities that Operate in a Specific Market (the draft Interpretation).

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. They 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 – Scope

The draft Interpretation addresses the accounting for levies that are recognised in accordance with the definition of a liability provided in IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Levies that are within the scope of the draft Interpretation are described in paragraphs 3–5. Do you agree with the scope proposed in the draft Interpretation? If not, what do you propose and why?

Response:

The draft Interpretation does not clearly identify the transactions that are in the scope of the proposed guidance. The term levies should be defined in the proposed Interpretation, and

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scope guidance should be based on the defined term. It is not clear how the five characteristics of levies that should be assessed to determine if a specific levy is in the scope of the draft Interpretation relate to the types of levies that are described in the background section. In addition, it is not clear from the scope guidance whether levies must contain all five of the characteristics in order to be in the scope of the interpretation or whether the evaluation is intended to be qualitative. In this respect, the interpretation should be revised to clarify whether failure to meet one of the characteristics would cause an entity to be scoped out of the interpretation.

The scope guidance states that the draft interpretation does not address the accounting for levies that are due only if a minimum revenue threshold is achieved. Basis for Conclusions paragraph BC7 states that the draft interpretation does not provide guidance for levies that contain minimum thresholds because the Interpretations Committee could not reach a consensus on whether the obligating event is the generation of revenues only after the threshold is passed or the generation of revenues as the entity makes progress towards the revenue threshold. Since the Interpretations Committee identified this as an issue that could cause diversity in the application of the draft Interpretation, we believe an answer should be provided prior to the Board issuing the interpretation.

Question 2 - Consensus

The consensus in the draft Interpretation (paragraphs 7-12) provides guidance on the recognition of a liability to pay a levy. Do you agree with the consensus proposed in the draft Interpretation? If not, why and what alternative do you propose?

Notwithstanding our comment in the last paragraph in response to question 1, we agree with the consensus proposed in the draft Interpretation, as it is consistent with the recognition principles in IAS 37.

Sincerely,

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IOSCO Committee 1
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