



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

August 21, 2012

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

Our Reference: 2012/IE/C1/IFRS/75

RE: Exposure Draft: Annual Improvements to IFRSs 2010 to 2012

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1 or C1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Exposure Draft on Annual Improvements to IFRSs (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 C1 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 C1. 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.

IFRS 8 Operating Segments – Aggregation of operating segments

We support the new disclosure requirement proposed; however, we recommend aligning the proposed language in paragraph 22(aa) with the language in paragraph 12 to ensure the examples of economic characteristics are consistent between the two paragraphs and there is no unintended change to practice regarding the aggregation of operating segments. Therefore, we recommend amending the proposed guidance in paragraph 22(aa) as follows (insertions have been underlined):



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(aa) where operating segments have been aggregated, the judgments made by management in applying the aggregation criteria in paragraph 12. In particular, a brief description of the operating segments that have been aggregated and the economic indicators characteristics that have been assessed in determining that they share similar economic characteristics (for example, long-term profit-average gross margins spreads, sales growth rates etc.); and

IAS 1 Presentation of Financial Statements – Current/non-current classification of liabilities

If the objective of the proposed amendment is to align IAS 1 with IAS 39 and IFRS 9 to require current classification for liabilities expected to meet the extinguishment conditions, we recommend that the words “substantially different terms” (from paragraph 3.3.2. of IFRS 9) should be used in the amendment to IAS 1 rather than “similar terms”. The basis for conclusions (paragraph BC2) seems to imply the objective is to drive consistency between the current/non-current classification guidance and the derecognition guidance; however, if the objective is not to align this guidance, we are not clear how the amendment will reduce diversity, and further guidance may be needed on what is meant by “similar terms”.

Some committee members believe this issue arose in the context of refinancing commercial paper through a liquidity backstop with a financial institution, where the two counterparties are not the same. If the Board considered this example in developing the proposed amendments to IAS 1, we believe it would be helpful to include this example in the basis for conclusions.

IAS 24 Related Party Disclosures - Key management personnel

We generally support requiring disclosure about key management personnel services provided through a separate management entity, and in particular the proposed disclosure in paragraph 18A. With regard to the proposed disclosure relief in paragraph 17A, we believe the relief may only be necessary in certain cases. For example, we can see the potential need for relief when a management entity provides key management services to many reporting entities, but we believe relief may not be necessary when a management entity provides key management services to only one or a few reporting entities. Some committee members are aware of concerns raised in their jurisdictions about reporting entities avoiding management compensation disclosures through the use of a management entity. We would suggest that, as part of the IASB outreach on this project, the IASB staff gather information about common structures involving management entities to confirm whether the proposed changes adequately address concerns raised and whether relief should be provided in all cases.

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With regard to the proposed changes on the definition of related parties, we would suggest that the articulation with paragraph 11(a) should be made clearer in the Basis for Conclusions. Clarifying that the provision of key management personnel services is the element that adds to the relationship would help dissipate the perceived conflict between providing management services by key management personnel and simply having a director or other member of key management personnel in common.

Sincerely,

Julie A. Erhardt
Chairman
IOSCO Committee I
International Organization of Securities Commissions