



## COMMITTEE OF EUROPEAN SECURITIES REGULATORS

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EFRAG

35 Square de Meeûs  
B-1000 BRUSSELS

Date: 19 September 2010  
Ref.: CESR/10-910

**RE: EFRAG's draft response on the IASB's Exposure Draft *Presentation of Items of Other Comprehensive Income***

The Committee of European Securities Regulators (CESR), through its standing committee on corporate reporting (CESR-Fin), has considered EFRAG's draft comment letter on the IASB's Exposure Draft (ED) *Presentation of Items of Other Comprehensive Income*.

We thank you for this opportunity to comment on your draft letter and we are pleased to provide you with the following comments.

CESR does not attribute the highest priority to the ED *Presentation of Other Comprehensive Income (amendments to IAS 1)*.

We believe that a more fundamental debate on what constitutes performance is necessary and should be undertaken by the IASB without undue delay and as soon as resources are available. We also strongly believe that the IASB should provide a robust conceptual basis on how to separate items between Profit or Loss (P/L) and Other Comprehensive Income (OCI). Currently, OCI is no more than a collection of items that are very different in nature, and the relative importance of OCI versus P/L is not therefore clear.

Without a conceptual debate or basis for the proposed amendments about which items should be presented in P/L and which items should later be reclassified into P/L, CESR sees some merits in the alternative view set out in the ED. In particular, we agree with paragraph AV2 that "recent decisions in other projects have increased the number of items that are not reported in P/L, some of which are then not reclassified to P/L. These decisions have been made on a project-by-project basis, sometimes to balance differing opinions, and justify a review of how best to present performance".

Having said this, CESR nevertheless sees also some merits in pursuing with the proposed amendment as the removal of an option would improve comparability between entities, although we note that currently an overwhelming majority of listed entities choose only one of the options in any case. Presenting a single statement might also point the attention of users of financial information to the comprehensive performance figure (instead of only to single elements of that) as there is no clear distinction between P/L and OCI. The argument can also be made that one statement might alleviate the false impression that could exist that there is a clear principle to be drawn making a distinction between profit or loss and other comprehensive income items, which is not the case.

At the same time, the proposed amendment could be seen by some as a first step towards a more comprehensive reform under which the issue could be more extensively dealt. However, it should be noted that such an ambitious project is not envisaged by the IASB in the forthcoming future. CESR encourages the IASB to undertake this comprehensive project on performance without undue delay and as soon as resources are available.



Additionally, when the Board undertakes this comprehensive project, CESR is of the opinion that the concept of earnings per share should be reviewed.

Like EFRAG, CESR considers the proposal to presently separately items that may be reclassified subsequently to profit and loss and items that will never be reclassified subsequently to profit and loss as an improvement. Requiring presentation of items that will never be recognised in profit or loss (non-recycling) separately from those that will be subject to subsequent reclassification (recycling) will enhance the decision-usefulness of financial information provided to users. This will also facilitate comparability with US GAAP financial statements, if we consider that under US GAAP all OCI-items are subject to recycling.

We believe that the IASB should consider the relationship with projects that are affecting OCI such as the remaining phases of IFRS 9 – *Financial Instruments: Classification and Measurement* and IAS 19 – *Employee Benefits* when setting the effective date for implementation.

I would be happy to discuss all or any of these issues further with you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'F. Restoy', is written over a horizontal line. A long, sweeping underline extends from the end of the signature.

Fernando Restoy  
Chairman of CESR-Fin