

**Ms Françoise Flores  
European Financial Reporting  
Advisory Group (EFRAG)  
35 Square de Meeûs  
1000 Brussels  
Belgium**

**Ref: The IASB's Exposure Draft *Annual Improvements to IFRSs 2014-2016 Cycle***

Dear Ms Flores,

DEAR FRANÇOISE

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to contribute to EFRAG's due process. ESMA has considered EFRAG's comment letter to the Exposure Draft (ED) *Annual Improvements to IFRSs 2014-2016 Cycle*. We are pleased to provide you with the following comments with the aim of improving the enforceability of IFRSs and the transparency and decision usefulness of financial statements.

Like EFRAG, ESMA agrees with the IASB's proposals and that all the issues addressed by the IASB included in the ED meet the criteria of the IASB *Due Process Handbook* and should therefore be resolved as part of the annual improvements project. We are therefore supportive of the amendments proposed in the ED.

Our detailed comments on the ED are set out in the Appendix I to this letter. Please do not hesitate to contact us should you wish to discuss all or any of the issues we have raised.

Yours sincerely,



Steven Maijoor

## **Appendix I – ESMA’s detailed answers to the questions in the ED**

### **Question 1 – Proposed amendment**

*Do you agree with the IASB’s proposal to amend the Standards as described in the Exposure Draft?*

*If not, why and what alternative do you propose?*

#### **Issue 1: Proposed Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards***

1. ESMA agrees with the deletion of the paragraphs E3-E7 of IFRS 1 for the reasons mentioned by the IASB.

#### **Issue 2: Proposed Amendments to IFRS 12 *Disclosure of Interests in Other Entities***

2. ESMA welcomes and strongly supports the proposed amendment to IFRS 12 which eliminates an apparent inconsistency between IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IFRS 12. We fully agree with the Board’s assessment as set out in BC4 of the draft amendment to IFRS 12 that the disclosure objectives of IFRS 12 are relevant to interests in other entities regardless of whether or not they are classified as held for sale or as held for distribution to owners, especially as the entity continues to be exposed to risks associated with interests in other entities.

#### **Issue 3: Proposed Amendments to IAS 28 *Investments in Associates and Joint Ventures***

3. ESMA agrees that since the revision of IAS 28 in 2011 it was not entirely clear whether a venture capital organization, mutual fund, unit trust or similar entity that held an investment in an associate or joint venture was able to choose between applying the equity method or measuring the investee at fair value on an investment-by-investment basis, or whether instead the accounting treatment should be applied consistently across all its investments.
4. We note that the proposed amendment to paragraph 18 of IAS 28 that clarifies that the election would be available on an investment-by-investment basis is in line with IAS 28 before the 2011 revision. As the issue seems not to have been discussed in the Board when revising IAS 28 in 2011 and the lack in clarity that arose as a consequence of the 2011 revision seems to have been unintended, ESMA supports the clarification.
5. ESMA does not oppose the proposed amendment to paragraph 36A of IAS 28 to give a non-investment entity investor an investment-by-investment choice to retain the measurement at fair value through profit or loss by any of its investment entity associates and joint ventures to their subsidiaries instead of retaining the measurement at fair value through profit or loss in all cases. However, ESMA is of the opinion that unlike for the

amendment to paragraph 18 of IAS 28 it is not apparent that this amendment represents only a clarification of a long standing concept. Furthermore, ESMA notes that the ED does not elucidate the rationale of this amendment. Therefore, ESMA recommends the Board to provide in the Basis for Conclusions the arguments that led the Board to conclude that this amendment to IAS 28 should be made.

***Question 2 – Transition provisions***

*Do you agree with the proposed transition provisions as described in the Exposure Draft?*

*If not, why and what alternative do you propose?*

6. ESMA agrees with the proposed transitional provisions.