

Olivier Guersent  
Director General, Financial Stability, Financial Services and Capital Markets Union  
European Commission  
1049 Brussels

10 February 2016

Dear Mr. Guersent,

**Adoption of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).**

Following the IASB's publication of the amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ("the 2014 Amendments") on 11 September 2014, the European Commission sent a request to EFRAG seeking its endorsement advice on 15 September 2014.

In October 2014 EFRAG TEG carried out a preliminary technical assessment of the 2014 Amendments against the endorsement criteria. During the discussion, EFRAG TEG members identified an internal contradiction between the proposed amendments and existing requirements in IAS 28 *Investments in Associates and Joint Ventures*. EFRAG TEG decided to refer this issue to the IASB on a private basis. In January 2015, the IASB tentatively decided to correct the internal contradiction identified by EFRAG and gave the staff permission to begin balloting an additional amendment to the 2014 Amendments.

In the light of the interaction between the published amendments and the IASB decision to propose further amendments to the 2014 Amendments, EFRAG decided, at its February 2015 meeting, to recommend to the European Commission that the endorsement process relating to the 2014 Amendments should be postponed until the project on *Elimination of gains or losses arising from transactions between an entity and its associate or joint venture*, which would propose changes to the 2014 Amendments, was completed so that the two amendments were assessed together for endorsement.

In June 2015, the IASB decided that its research project on *Equity Method of Accounting* should take over all the issues being considered by the IFRS Interpretations Committee on IAS 28, including the amendments to the 2014 Amendments. In addition, the IASB decided to defer the effective date of the 2014 Amendments until that research was conducted.

For that purpose the IASB published, on 10 August 2015, the Exposure Draft *Effective Date of Amendments to IFRS 10 and IAS 28* ("the ED") which proposed deferring the effective date of the 2014 Amendments indefinitely.

Given the interaction between the 2014 Amendments and the ED published on 10 August 2015, in September 2015 EFRAG decided to recommend to the European Commission that the endorsement process relating to the 2014 Amendments should continue to be postponed until the IASB finalised its due process on its proposals to amend the effective date of the 2014 Amendments.

In December 2015, the IASB published *Effective Date of Amendments to IFRS 10 and IAS 28* ("the 2015 Amendments") which deferred the effective date of the 2014 Amendments

by removing the original effective date of 1 January 2016 and indicating that a new effective date would be determined at a future date when the IASB had finalised the revisions, if any, that would result from the research project on the equity method. Any future proposal to insert an effective date will be exposed for public comment. Nonetheless, the IASB continued to allow early application of the 2014 Amendments.

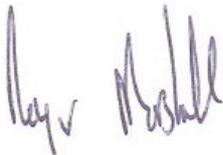
EFRAG recalls that the original intent of the 2014 Amendments was to reduce diversity in practice by eliminating conflicts between standards. However, allowing an early application of the 2014 Amendments in Europe without specifying an effective date is opposite to the original objective of the amendments. This is because the conflicts between standards identified as a source of diversity will remain as long as there is no effective date for the amendments. Moreover, enabling the early application of the 2014 Amendments as an option would potentially give rise to renewed diversity in practice within the IFRS community by bringing a special focus on this issue. EFRAG notes that without these amendments, management will continue to use judgement in developing an accounting policy for these specific transactions, taking into account IFRS as endorsed in European Union. In many cases an accounting policy will already have been developed and, in those cases, it is unlikely that there will be any reason to amend that policy.

Finally, EFRAG highlights that whether the amendments are endorsed or not in Europe, entities will still be able to claim compliance with IFRS as issued by the IASB.

For these reasons and given the interaction between the 2014 Amendments and the IASB's research project on *Equity Method of Accounting*, EFRAG brings these issues to the European Commission's attention before it takes a decision on the endorsement process of the two amendments (2014 Amendments and 2015 Amendments).

On behalf of EFRAG, I would be happy to discuss this case with you, other officials of the European Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Roger Marshall', is written over a light blue horizontal line.

Roger Marshall

**Acting President of the EFRAG Board**