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22 November 2019

Dear Sir / Madam,

**Response to the International Accounting Standards Board's Exposure Draft ED/2019/6 Disclosure of Accounting Policies - Proposed amendments to IAS 1 and IFRS Practice Statement 2**

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the **Exposure Draft ED/2019/6 Disclosure of Accounting Policies - Proposed amendments to IAS 1 and IFRS Practice Statement 2 (ED)** issued by the International Accounting Standards Board's (IASB or the Board).

AFME appreciates the Board's intention and efforts to improve disclosure around accounting policies taking into account feedback received on the Discussion Paper *Disclosure Initiative - Principles of Disclosure* (Discussion Paper), issued in March 2017 and which AFME responded to<sup>1</sup>. We would like to comment on some questions and matters included in the ED.

**Question 2**

The proposed new paragraph 117A of IAS 1 states that not all accounting policies relating to material transactions, other events or conditions are themselves material to an entity's financial statements. Do you agree with this proposed statement? If not, what changes do you suggest and why?

**AFME Response:**

The full text of new paragraph 117A states that *"Accounting policies that relate to immaterial transactions, other events or conditions are themselves immaterial and need not be disclosed. Furthermore, not all accounting policies relating to material transactions, other events or conditions are themselves material"*.

AFME does not completely agree with the above statements. In our response to the Discussion Paper we recommended that the Board clarify that the disclosure of accounting policies with respect to non-material items is not required **but could be made if relevant to an entity's circumstances**. For example, a business which has no acquisitions to report in the last set of financial statements would not be required to disclose its accounting policy on recording acquisitions but might chose to do so if it plans to undertake an acquisition in the upcoming accounting period. We understand that according to the new paragraph 117A, immaterial accounting policies don't need to be disclosed, but entities are not prohibited from doing so. We think that he latter needs to be clarified and we thus suggest the following changes to the first sentence of 117A:

<sup>1</sup> <https://www.afme.eu/Portals/0/globalassets/downloads/consultation-responses/AFME-ACC-response-to-IASB-Paper-on-entitled-Disclosure-Initiative-Oct-2017.pdf?ver=2019-09-11-144106-290>

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*Accounting policies that relate to immaterial transactions, other events or conditions are themselves immaterial and need not be disclosed **but could be made if relevant to an entity's circumstances.***

With regard to the statement that “*not all accounting policies relating to material transactions, other events or conditions are themselves material*”, we agree with Mr. Edelmann’s view (paragraphs AV2 and AV3) that “*accounting policies should be disclosed if management believes the disclosure would assist users of financial statements in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position*” because not all primary users of financial statements are accounting experts and that “*in some cases, accounting policies available from sources, such as IFRS Standards, should be disclosed because they may help users to better understand financial performance and financial position, especially for complex transactions*”. We understand that the amendment is being proposed to prevent preparers from including lengthy, “boilerplate” information repeating the text of IFRS in their financial statements, however we challenge the complete exclusion of information on accounting for material transactions as we believe that such transactions would merit providing at least some basic information (possibly with further references to respective IFRS) on their accounting treatment.

We would be pleased, of course, to discuss the content of this letter or to provide any further clarity with regard to the statements made.

Yours faithfully,

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### **About AFME**

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe’s wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: [www.afme.eu](http://www.afme.eu).