

24 August 2012

International Accounting Standards Board  
30 Cannon Street  
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United Kingdom

By email to: [ifric@ifrs.org](mailto:ifric@ifrs.org)

**Draft IFRIC Interpretation (DI/2012/1): Levies Charged by Public  
Authorities on Entities that Operate in a Specific Market**

Dear Sirs

I am writing on behalf of AFME (the Association for Financial Markets in Europe) to respond to the Draft IFRIC Interpretation (DI/2012/1): Levies Charged by Public Authorities on Entities that Operate in a Specific Market (“the DI”). AFME is, as you know, the leading European trade association for firms active in investment banking and securities trading, and thus represents the shared interests of a wide range of participants in the wholesale financial markets.

You will be aware that AFME members have a particular interest in this interpretation as they are typically liable to a levy charged by the UK Government to certain entities in the banking industry (“the Bank Levy”) and, in many cases, to similar levies in other countries.

**General Comments**

Whilst we understand the constraints around the work of the IFRIC and its inability to change IFRS, we are disappointed in the way these constraints have affected the accounting for the Bank Levy.

Under the DI, our members will be unable to accrue the Bank Levy in their financial statements until the last day of their annual accounting period and then will accrue it in full. In our view, this does not reflect the economic reality of the levy and, in particular, the inability of entities in practice to ensure they are not within the remit of the levy without incurring other, more substantial costs.

The levies established in various jurisdictions outside of the UK are substantially the same in economic impact and substance as the Bank Levy, but the accounting treatment may vary depending on the form of the legislation which establishes each levy.

Further, as there is no ability to allocate the charge for the levy to interim accounting periods, those AFME members that report under IFRS will not be able to achieve consistency and comparability with their US counterparts.

### **Consensus**

We agree that the DI is a valid interpretation of IAS 37. However, we question the internal consistency of IAS 37 in that in Example 2B of that standard merely having a published policy (of rectifying environmental damage) is seen as sufficient to create a constructive obligation, whereas the commitments of entities to continue as banks, demonstrated in any number of actions, is not deemed sufficient.

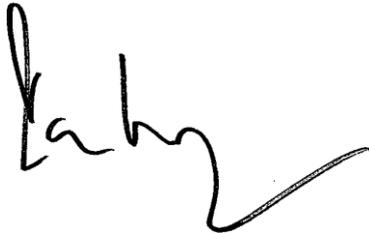
Further, we believe it is misleading to present financial statements of an entity on a going concern basis without the inclusion of liabilities that cannot, for all practical purposes, be avoided if the entity is to continue as a going concern.

With regard to IAS 34, we agree with the IFRIC's interpretation of this standard in regard to these levies. We note, however, that IAS 34 does allow exceptions to its main principle. Thus, whilst we acknowledge that creating exceptions to a standard lies outside IFRIC's remit, we urge the IFRIC to recommend that the IASB explore this alternative.

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I hope the above comments are helpful. We would of course, as always, be pleased to discuss any points which you may find unclear, or where you believe AFME members might be able to assist in other ways.

Yours faithfully



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