International Acccounting Standards Board (IASB)
30 Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

1 September 2021

Dear Board Member,

Re: ED Lack of Exchangeability

BUSINESSEUROPE is pleased to provide input to the Exposure Draft Lack of Exchangeability.

We have consulted with our members to provide feedback on the Exposure Draft. Our comments to the questions are provided in the Appendix.

If you require any further information upon these matters, please do not hesitate to contact us.

Yours sincerely,

Erik Berggren
Senior Adviser

BUSINESSEUROPE

<u>**Appendix**</u>

Question 1—Assessing exchangeability between two currencies Paragraph 8 of the draft amendments to IAS 21 specifies that a currency is exchangeable into another currency when an entity is able to exchange that currency for the other currency. Paragraphs A2–A11 of [draft] Appendix A to IAS 21 set out factors an entity considers in assessing exchangeability and specify how those factors affect the assessment.
Paragraphs BC4–BC16 of the Basis for Conclusions explain the Board's rationale for this proposal.
Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

Overall, we agree with the proposed conditions in step I of the ED.

A5 is useful, as it recognises the practical issues which might arise.

It would be useful if the Board would clarify how the impact of normal administrative delays will be reflected [in cases when the rate to be applied is the rate on the date of the submission of the request for foreign currency]. For example, in a jurisdiction with a seven calendar day delay between request and approval, should the rate of 24 December be used for year-end reporting, since this is the rate which would have been applied to transactions taking place on 31 December, when the approval is received? Or should the rate used be the one for requests submitted on 31 December, which would be approved and transacted in early January? It seems that the latter would be consistent with the definition of a spot rate (since the ED clarifies that "immediate delivery" includes normal administrative delays.

Paragraph BC13(a) should be clarified, as the phrase "*any amount of that other currency*" could be misinterpreted as being the ability t obtain any amount it wants, without limits. To reflect the actual consideration of Alternative I (as clarified in BC14(a)), the wording should be revised to "*any amount of that other currency*<u>*, even if limited to insignificant amounts*</u>".

Question 2—Determining the spot exchange rate when exchangeability is lacking Paragraphs 19A–19C and paragraphs A12–A15 of the draft amendments to IAS 21 specify how an entity determines the spot exchange rate when a currency is not exchangeable into another currency.
Paragraphs BC17–BC20 of the Basis for Conclusions explain the Board's rationale for this proposal.
Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

In general, we agree with the proposals. We specifically agree with the comments in BC18 explaining why the Board did not propose any detailed requirements. We note that the board focuses the proposed amendments on “spot exchange rates”. This term is used only a few times in the standard: paragraph 8 (the definition of “closing rate”, and the definition of “spot rate” itself), and paragraph 21 (recording of foreign currency transactions in the functional currency). It would be useful if the board would consider that paragraph 39(b) does not specify “*spot* exchange rates” for the translation of items of income and expenses from the currency of a non-hyperinflationary economy, but only refers to “exchange rates”. It is therefore potentially ambiguous whether the proposed amendments (which explicitly apply to estimations of spot exchange rates) would apply to the exchange rate used to translate income and expenses into the presentation currency. This ambiguity should be removed by amending paragraph 39(b) to refer to the “spot exchange rates”.

Question 3—Disclosure Paragraphs 57A–57B and A16–A18 of the draft amendments to IAS 21 require an entity to disclose information that would enable users of its financial statements to understand how a lack of exchangeability between two currencies affects, or is expected to affect, its financial performance, financial position and cash flows.
Paragraphs BC21–BC23 of the Basis for Conclusions explain the Board’s rationale for this proposal.
Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

We agree with the proposals.

Question 4—Transition Paragraphs 60L–60M of the draft amendments to IAS 21 require an entity to apply the amendments from the date of initial application, and permit earlier application.
Paragraphs BC24–BC27 of the Basis for Conclusions explain the Board’s rationale for this proposal.
Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

We agree with the proposals.

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