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24 November 2009

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom

Submitted via the "Open to Comment" page at www.iasb.org

Dear Sirs

ED/2009/11: Improvements to IFRSs

I am writing on behalf of AFME (the Association for Financial Markets in Europe) to respond to the IASB's 26 August Exposure Draft ED/2009/11: Improvements to IFRSs ("the ED"). AFME is, as you may know, the principal UK trade association for firms active in investment banking and securities trading; it was established on 1 November 2009 as a result of the merger of LIBA (the London Investment Banking Association) and the European Branch of SIFMA (the US-based Securities Industry and Financial Markets Association), and thus represents the shared interests of a broad range of global and European participants in the wholesale financial markets.

While supporting the majority of the changes proposed in the ED, we do have concerns over certain of the proposed changes to IFRS 3, IFRS 5, IAS 28 and IAS 34. These concerns are set out in our responses below to the first four Questions on pages 5-6 of the ED; please note that we have no comment on Question 5, which relates to IAS 40.

General questions (applicable to all proposed amendments)
Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

IFRS 3 - *Business Combinations*

We are concerned that the proposed amendment to the measurement of non-controlling interests extends the options available for measuring non-controlling instruments that are not "currently entitled to a proportionate share of the acquiree's net assets": such instruments could previously be measured either at fair value or on a proportionate basis share, but would henceforth be measured either at fair value or "in accordance with applicable IFRSs". No reasons have been given for this change. Furthermore we are unclear whether the term "present ownership instrument" is defined sufficiently clearly in IFRSs to enable the distinction required by the amendment to be made.

Association for Financial Markets in Europe
6 Frederick's Place, London EC2R 8BT Tel +44 (0)20 7796 3606 Fax +44 (0)20 7796 4345 www.afme.eu
Company Registration No: 6996678 Registered Office: 6 Frederick's Place, London, EC2R 8BT

IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*

While supporting the change to the standard, we are unclear whether the reclassification trigger (namely when an entity is committed to a plan) is consistent with the proposed treatment in IAS 37 when commitment to a plan is not deemed sufficient for recognition of a liability.

IAS 28 – *Investments in Associates*

We do not support the change in treatment to associates proposed in the amendment to IAS 28. This does not follow the general principle within IFRS of assessing accounting treatment at the reporting entity level (in this case the consolidated Group) and is inconsistent with other standards. If the Board wishes to change the approach they need to consider how it could be applied in other situations. If, for example, a group's 55% stake were split between 40% in an investment company and 15% in another company, maintaining the entity level accounting treatment would be very different to assessing at the Group level.

Question 2
Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

In general we agree with the proposed transition periods and effective date. We would however question the dates suggested for the changes to IAS 27 as these require entities to move towards an IAS 39 impairment basis at a time when the impairment model in IAS 39 is changing. It would in our view be appropriate to allow entities to transition directly to the new impairment methodology and hence delay the effective date for this improvement.

Specific questions

Question 3:
The Board proposes changes to IAS 34 Interim Financial Reporting to emphasise its disclosure principles. It also adds to the guidance to illustrate better how to apply these principles. The Board published an exposure draft Fair Value Measurement in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 Financial Instruments: Disclosures for annual financial statements should also be required for interim financial statements. Do you agree that this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why? What would you propose instead and why?

We refer you to ISDA's 28 September response to ED/2009/5: Fair Value Measurement (and to LIBA's 29 September letter of support for this response) for our views on the specific disclosure requirements.

While we believe that many of the disclosures suggested are valid and will enhance the Financial Statements, we are concerned about making the disclosures mandatory: we see this as moving away from the principles underlying IAS 34, which required disclosures of matters deemed significant by management and thus allowed management to exercise judgement.

Under the proposed amendment, entities will be forced to make these disclosures regardless of whether they are significant to their particular circumstances. Further we are concerned that the more prescriptive nature of the disclosures may give rise to more boilerplate disclosures, with less thought given as to the appropriateness of specific disclosures, and so render entities more likely to see the list as an exhaustive list of requirements.

Question 4
The Board proposes changes to IAS 34 Interim Financial Reporting. Do you agree that amending IAS 34 to require particular disclosures to be made in interim financial statements is a more effective way of ensuring that users of interim financial statements are provided with useful information? If not, why? What approach would you propose instead and why?

Please see our response to Question 3.

Whereas we agree that many of the disclosures suggested may be useful, we believe they should be included as a list of examples of potentially useful disclosures so that entities can continue to apply judgement in the preparation of their interim accounts.

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I hope this is helpful. We would of course 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 sincerely

Ian Harrison
Managing Director
Direct phone: 020 7367 5507
Email: ian.harrison@afme.eu