Determining the appropriate rate to discount postemployment benefit obligations

The IFRIC considered the following question relating to paragraph 78 of IAS 19.

If there is no deep market in high quality corporate bonds in a country, may the discount rate for a postemployment benefit obligation be determined by reference to a synthetically constructed equivalent instead of using the yield on government bonds?

Paragraph 78 of IAS 19 states that:
‘The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds shall be used...’

[Emphasis added]

The IFRIC took the view that paragraph 78 is clear that a synthetically constructed equivalent to a high quality corporate bond by reference to the bond market in another country may not be used to determine the discount rate.

The IFRIC observed that the reference to ‘in a country’ could reasonably be read as including high quality corporate bonds that are available in a regional market to which the entity has access, provided that the currency of the regional market and the country were the same (e.g. the euro). This would not apply if the country currency differed from that of the regional market.