STAFF PAPER

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Project	**Investment Entities**		
Paper topic	Disclosures		
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Introduction

1. The objective of this paper is to discuss potential changes to the disclosure requirements proposed in the Investment Entities Exposure Draft ('the ED').

Summary of staff recommendations

2. The staff recommend the following changes to the disclosures proposed in the Investment Entities ED:

   (a) The requirements should include a statement allowing investment entities to make the required disclosures by cross-reference to some other statement that is available to users of the financial statements, on the same terms as the financial statements, and at the same time.

   (b) That disclosure of fair values for individual investments of an investment entity should be included in the list of examples that might be appropriate to meet the disclosure objective.

   (c) The disclosures for interests in subsidiaries required by IFRS 12 *Disclosure of Interests in Other Entities* (paragraphs 10-19) should only apply to consolidated investments of investment entities except for paragraphs 14 and 16, which should apply to all subsidiaries of an investment entity.

(d) Investment entities with joint ventures and associates accounted for using the fair value method do not need to apply paragraphs 21(b), 21(c), 22(b) and 22(c) of IFRS 12.

(e) Paragraph B20 of the ED should be deleted.

(f) The leverage ratio, leverage value and method of calculating the leverage ratio should be included in the list of examples that might be appropriate to meet the disclosure objective.

(g) A requirement for an investment entity to disclose that it is an investment entity and thus has not consolidated controlled investees and how it has met the definition and factors with specific reasons given if it has not met one or more factors.

3. Appendix C shows the amended proposed disclosures for investment entities if the IASB agrees with all staff recommendations.

Structure of paper

4. The paper is structured so that each section includes the background, feedback received, staff analysis and recommendation. The sections are as follows:

(a) Background (paragraphs 5–6(c))

(b) Overall disclosures proposed (paragraphs 7–18)

(c) The disclosure objective (paragraphs 19–24)

(d) Paragraph 10 of the ED (paragraphs 25–27)

(e) Paragraph B18 of the ED (paragraphs 28–39)

(f) Paragraph B19 of the ED (paragraphs 40–47)

(g) Requirement to company with IFRSs 7, 12 and 13 (paragraphs 48–71)

(h) Leverage disclosures (paragraphs 72–75)

(i) Disclosure of the use of the exception to consolidation (paragraphs 76-79).

Background

5. The ED proposals for disclosures for investment entities consisted of an overall disclosure objective, together with specific requirements and examples in the application guidance. The proposed disclosures were in addition to disclosures required by IFRS 7 *Financial Instruments: Disclosures,* IFRS 12 *Disclosures of Interests in Other Entities* and IFRS 13 *Fair Value Measurement*. The full text of the proposed disclosures is reproduced in Appendix A.

6. The only specific disclosure requirements proposed in the ED that were converged with US GAAP were the disclosures in paragraph 10, being the disclosures of an entity's:

   (a) status;

   (b) provision of, or intention to provide financial support to controlled investees; and

   (c) any significant restrictions on the ability of the controlled investee to transfer funds to the investment entity.

Overall

Feedback received

7. Many constituents were generally supportive of the proposed disclosure guidance.

8. Some constituents expressed concern about the volume and detailed nature of the proposed disclosures. In particular, some were concerned that the disclosures in the ED would be required in addition to the disclosures required by IFRSs 7, 12 and 13. This issue is discussed further in paragraphs 48–71.

9. Constituents noted that the proposed guidance could apply to numerous individual investments and that disclosing such detailed information by investment could be challenging for preparers and overwhelming for users. Consequently, they

recommended that it should be made explicit that the proposed disclosure should only be provided for material or significant investments.

10. Other constituents believe that existing disclosure requirements in other IFRSs are adequate and that there is therefore no need for further disclosure requirements.

11. Some constituents recommended that to reduce complexity and increase comparability the disclosure requirements proposed should be consistent with US GAAP. Constituents noted that the disclosure requirements for investment companies in US GAAP have been used and tested for a long period of time and have provided meaningful information to users of investment company financial statements.

12. Some constituents also recommended that a schedule of investments or financial highlights schedule similar to that required by US GAAP should be included in the disclosures for investment entities.

Staff analysis and recommendation

13. The disclosures in the ED reflect the specialised nature of the industry in which investment entities operate and so they are specific to investment entities. Consequently, the staff does not believe that the disclosures proposed in the ED would be achieved by relying solely on other Standards.

14. The staff understand constituents' concerns regarding the volume of disclosures. To reduce the volume of disclosures and enable preparers to only make disclosures that are most relevant and useful to investors, it could be expressly stated that the proposed disclosures for investment entities only be required for the controlled investees that are material to the reporting entity. This would be consistent with some of the disclosure requirements for interests in subsidiaries, joint ventures and associates in IFRS 12.

15. However the staff do not believe that the requirements should explicitly state that these disclosures are only required for material controlled investees of an investment entity. The staff are concerned that this could lead to under-disclosure, for example, situations could arise in which there are no individual controlled investees that are material to the investment entity and so no disclosures would be made.

16. IAS 1 *Presentation of Financial Statements* allows entities not to provide disclosures required by an IFRS if the information is not material. The staff believe that this provision in IAS 1 can be used by preparers to reduce the volume of disclosures when it has multiple controlled investees, only some of which are material.

17. The staff understands constituents' concerns regarding the divergence between the disclosure requirements for investment entities in US GAAP and those in IFRS. However, the staff believe that it will be difficult to align the disclosure requirements because of both the different starting points of the projects and the different scopes. The staff notes that the IASB are proposing an exception to consolidation rather than comprehensive accounting guidance for investment companies.

18. Similarly, the staff also do not believe that a schedule of investments or financial highlights should be required for investment entities, because such comprehensive disclosure requirements that encompass all investments of an investment entity would be inconsistent with the nature of the Investment Entities project under IFRSs, which is to provide an exception from consolidation and the equity method for investment entities. Moreover, the staff agree with the rationale set out in the basis for conclusions in the IASB's ED that while a schedule of investments and a financial highlights schedule is useful:

> because of the prescriptive nature of the US GAAP disclosures, the boards decided that it would be more useful to users to require disclosure of the nature and financial effects of the investment activities of the investment entities.

Objective

19. The ED proposed that an investment entity provide information to enable users of financial statements to evaluate the nature and financial effects of the investment activities in which it engages.

Feedback received and staff analysis

20. Many constituents agreed with this overall disclosure objective. They reasoned that a principles-based objective would enable preparers of financial statements to use their judgment to determine which information would be most relevant to users of financial statements and would reduce the volume of less informative disclosures.

21. Those constituents that did not agree with using a disclosure objective stated that explicit disclosure requirements (rather than an overall objective) would increase comparability between investment entities and would reduce the judgement needed to apply the proposed requirements. In addition, some constituents stated that the objective is too general to achieve consistency.

22. The staff accepts that explicit disclosure requirements would increase comparability. However, explicit disclosure requirements could result in relevant information not being provided because it is not required and in information that is not relevant to users being required. Consequently, the staff recommend retaining an overall disclosure objective rather than providing detailed disclosure requirements.

23. One constituent recommended that an investment entity should provide information to enable users to evaluate the risk of the investment activities in which the investment entity engages. IFRS 7 requires disclosures about the risks associated with an entity's financial instruments. The staff believe that any further disclosure regarding risk could lead to boiler-plate language being included to meet the objective, or alternatively, disclosures of excessive length, for example, about all the risks that a controlled investee faces. Consequently, the staff does not recommend amending the disclosure objective to include reference to risks.

24. Constituents also recommended that a statement should be included that the required disclosures can be provided outside of the financial statements. The staff understands that a number of disclosures regarding the investment activities of the investment entity will already be communicated to investors in another report, such as the management commentary. Consequently, to reduce duplication of disclosures and to reduce the cost burden of preparing the financial statements, the

staff recommend including a statement that investment entities may make the required disclosures by cross-reference to some other statement that is available to users of the financial statements on the same terms as the financial statements and at the same time. Similar statements are included in IFRS 4 *Insurance Contracts* and IFRS 7 *Financial Instruments: Disclosures.*

Question 1 – objective and other statements
The staff recommends that:
(a) the disclosure objective should be retained unchanged;
(b) a statement should be included allowing investment entities to make the required disclosures by cross-reference to some other statement that is available to users of the financial statements, on the same terms as the financial statements, and at the same time.
Does the IASB agree?

Paragraph 10

25. Paragraph 10 of the ED proposed four specific disclosure requirements which must be made in addition to the disclosures required by IFRSs 7, 12 and 13. These comprised disclosure of:

 (a) when an entity’s investment entity status has changed;

 (b) any provision of financial or other support to a controlled investee;

 (c) any intention to provide financial or other support to a controlled investee; and

 (d) any significant restrictions on the ability of controlled investees to transfer funds to the investment entity.

26. Paragraph 10a, disclosing when an entity’s status has changed will be discussed in Agenda Paper 8D: Reassessment.

Feedback, staff analysis and recommendation

27. There was little specific feedback received on the disclosures required in paragraph 10. Therefore the staff recommend that no changes should be made to the disclosure requirements in paragraph 10(b)–10(d).

Paragraph B18

28. Paragraph B18 proposed the following disclosure requirements for controlled investees of an investment entity:

    (a) the investee's name;

    (b) the investee's country of incorporation or residence; and

    (c) the proportionate ownership interest held and proportion of voting interest held.

29. Paragraph B18 also required that an investment entity parent of another investment entity disclose this information for investments that are controlled by its subsidiary. It was also proposed that the disclosure may be provided by including the subsidiary's financial statements that contain the information in the investment entity parent's financial statements.

Feedback received

30. Some constituents agreed with the disclosures required in paragraph B18, with one constituent noting that these disclosures are necessary for all investment entities to satisfy the disclosure objective in the proposed Standard and so it is appropriate for these disclosures to be required.

31. Other constituents disagreed with some of the information required to be disclosed in B18, particularly the name of the controlled investees and the ownership percentage. The main cause for concern was confidentiality; constituents were concerned that disclosure of this information would violate confidentiality agreements and leave the investment entity at a competitive disadvantage.

32. Some constituents recommended making the disclosure requirements in paragraph B18 an example of a way of meeting the disclosure objective as opposed to a strict requirement.

33. Constituents also gave feedback about the suggestion that the disclosures in paragraph B18 could be disclosed for investment entity parents of investment entity subsidiaries by including the financial statements of the subsidiary in the parent's financial statements. Some stated that this could lead to disclosure overload.

34. Another constituent noted that they were unclear whether including the financial statements of the investment entity subsidiary would give meaningful information when the subsidiary has, for example, a different accounting period end or the financial statements have been prepared under a different GAAP.

35. Some constituents also recommended that individual fair value information should be disclosed for an investment entity's controlled investments. One constituent noted that complying with B18 without an indication of the monetary value of the investment would mean that users would be unable to assess the size of the investment in relation to net assets.

Staff analysis and recommendation

36. The staff understands constituents' concerns regarding confidentiality. However, the staff believes that the name and proportionate ownership/voting interest of controlled investees is information that would be useful to investors. This information will help investors to better understand the investment portfolio of the investment entity and therefore aid them in managing their investment. Consequently, the staff recommends retaining the disclosure requirements in paragraph B18.

37. The staff also thinks that allowing the information required to be provided in paragraph B18 to be provided through the inclusion of the investment entity subsidiary's financial statements in the investment entity parent's financial statements should also be retained. For some entities this may also help them meet the disclosure objective, for example feeder funds in master-feeder structures.

38. The staff understands constituents' recommendations that information about the individual fair values of its investments would help users to better understand the investments of the investment entity and would therefore help them to make more informed decisions. The fair value of individual controlled investees would also give investors an idea of the relative size of each individual controlled investee.

39. However, the staff note that this disclosure was not required by the ED and some may view information about individual fair values as commercially sensitive. The staff believes that information about the fair value of an investment entity's investments would enable users to evaluate the nature and financial effect of the investment entity's investment activities. Consequently, the staff recommends that the disclosure of fair value for individual investments should be included in the list of disclosures that might be appropriate to meet the disclosure objective in paragraph B19.

Question 2 – fair value disclosure
Does the IASB agree that fair values for individual investments of an investment entity should be included in the list of examples that might be appropriate to meet the disclosure objective?

Paragraph B19

40. Paragraph B19 provides examples of additional disclosures that may be appropriate to meet the disclosure objective. These included per-share calculations, ratio of expenses and net investment income, total return and disclosures regarding commitments from owners.

Feedback received

41. Some constituents agreed with the disclosure examples set out in paragraph B19. However, a number of constituents were concerned that these examples could be seen as a requirement. One constituent noted that typically when a Standard gives examples, these are interpreted as requirements. Constituents commented that this could lead to diversity in practice with some entities disclosing everything on the list whereas other entities may disclose the very minimum.

42. Other issues regarding paragraph B19 were raised by constituents. Some stated that it was not clear why these examples were chosen. Another constituent stated that this paragraph will increase costs while giving minimum additional benefit. It was also stated that lists of example disclosures should not be included, because these tend to encourage disclosure without proper consideration of how the disclosure contributes to the disclosure objective.

43. Recommendations by constituents include deleting the paragraph, streamlining the list to only include the disclosures most useful for users and moving the paragraph to the Basis for Conclusions from the main body of the Standard.

44. Some constituents also raised concerns regarding specific examples included in B19. Some of these concerns include:

    (i) The examples in paragraph B19 are on a per-share basis, which some considered to be inconsistent with the requirement in paragraph B18 to disclose an investment entity's proportionate ownership interest in the investee. This means that the absolute amount of investors' income cannot be readily ascertained.

    (ii) Paragraph B19 suggests the disclosure of a number of items that are not covered by accounting standards and have varying calculation methodologies, for example the ratio of expenses and net investment income to average net assets and total return.

    (iii) Some of the suggested disclosures (for example the expenses ratio and the total return) are management ratios, which should be in the management report, not the financial statements.

Staff analysis and recommendation

45. The staff notes constituents concerns regarding interpretation of the examples as requirements and therefore recommends that more explicit wording should be included in the final Standard to make it clear that these are only **examples** that may be used to meet the disclosure objective.

46. The staff does believe these examples should be retained in the final Standard, because they may help some preparers in preparing the financial statements and meeting the disclosure objective – they give an idea of the kinds of disclosures that might be appropriate to meet the disclosure objective. In addition, the examples were based on the schedule of financial highlights in US GAAP, which has provided useful information to investment company investors and increases the likelihood of more converged disclosures being provided.

47. The staff believes, in response to the concerns raised about specific examples, that these are purely examples that **might** be appropriate to meet the disclosure objective. They will not be appropriate for all investment entities and may be changed to suit the specifics of each reporting entity whether this is a change to how a ratio is calculated or by not disclosing something at all. The staff therefore recommends that no changes should be made to the examples provided.

Requirement to comply with IFRSs 7, 12 and 13

48. Paragraph 10 of the ED states that investment entities should provide the disclosures required by IFRS 7, IFRS 12 and IFRS 13.

49. Paragraph B20 proposes that if an investment entity has been required to disclose the same information as proposed in the ED by other IFRSs then the investment entity need not apply the disclosure requirements in the ED.

Feedback received

50. Some constituents expressed concern about the volume of disclosure that would be required by an investment entity if they were required to comply with the requirements in the ED and also with the requirements of IFRSs 7, 12 and 13.

51. In addition, a number of constituents noted that the task of identifying duplications between the ED and IFRSs 7, 12 and 13 should be undertaken by the IASB as part of the standard-setting process.

52. Some constituents recommended amendments to IFRS 7 that would mean an investment entity would not need to apply paragraphs 31–42 of IFRS 7, which require disclosure of the nature and extent of risks arising from financial

instruments. Instead these constituents recommended that the IASB develop specific risk disclosure requirements that reflect the specialised nature of investment entities.

53. A number of constituents asked why IFRS 12 should be applied by an investment entity. Some of the arguments made by constituents include:

    (i) The relevance of IFRS 12 is decreased because the investments are measured at fair value.

    (ii) Fair value and inputs into the fair values are required to be disclosed under IFRS 13, so some constituents question the necessity and usefulness of some of the summarised financial information required by IFRS 12.

    (iii) IFRS 12 was developed based on controlled entities being consolidated.

54. Some constituents requested that some of the summarised financial information that could be required by IFRS 12, such as information about the assets, liabilities, profit or loss, and cash flows, should be required to be disclosed by investment entities for controlled investees. These disclosures would enable users to see the numbers underlying the fair values and give them a sense of the relative significance of the investment and that investment's performance.

55. Constituents requested clarification of the interaction between IFRS 12 and the disclosures proposed in the ED, including which disclosures in IFRS 12 may or may not be relevant to an investment entity.

56. One constituent commented on the inconsistency between not requiring summarised financial information for controlled entities of investment entities as proposed in the ED in the Basis for Conclusions and the requirement in IFRS 12 to provide summarised financial information for joint ventures and associates of investment entities.

57. Some users stated that IFRS 13 disclosures are extremely useful for the controlled investees of investment entities. The fair values of these investments are often developed using level 3 inputs so users need as much information as possible about how the fair values were calculated.

Staff analysis and recommendation

58. The staff acknowledge concerns about the volume of disclosures required for investment entities.

59. The staff believes that because the investments of an investment entity are measured at fair value, the disclosures required by IFRS 13 are relevant and should be required.

60. The staff do not believe that financial instrument risk disclosures specific to investment entities should be inserted into IFRS 7. The staff believes that the disclosures within IFRS 7 are appropriate for investment entities and note again that the aim of the investment entities project is not to create comprehensive accounting guidance for investment entities

61. The staff agrees with constituents regarding the decreased relevance of some aspects of IFRS 12. In particular the staff believe that the disclosures required by paragraphs 10-19 of IFRS 12 for interests in subsidiaries may not be relevant. Consequently, the staff have analysed the disclosures required by paragraphs 10-19 of IFRS 12 to determine whether they are relevant to non-consolidated investments of investment entities. The table in Appendix B summarises this analysis.

62. On the basis of this analysis, the staff believe that the disclosures required by paragraphs 10–13, 15 and 17–19 of IFRS 12 should only apply to consolidated subsidiaries of investment entities, ie those that provide services to the investment entity. However, the staff believe that the disclosures required by paragraphs 14 and 16 of IFRS 12 are still relevant and should be required by all investment entities.

63. The staff also note the inconsistency between requiring an investment entity with an investment in an associate or joint venture to provide summarised financial information for that investment, as required by IFRS 12 and exempting an investment entity from this requirement for non-consolidated subsidiaries.

64. The ED proposed that summarised financial information for subsidiaries should not be required, as noted in the Basis for Conclusions:

because the investment entity exception from consolidation is based on their view that the most useful information for users is fair value information, requiring summarised financial information would be inconsistent with that decision.

65. The staff believe that this conclusion should also apply to interests that investment entities have in joint ventures and associates that are measured at fair value. The staff therefore recommend that summarised financial information should not be required for investment entities with joint ventures and associates.

66. The staff have analysed the disclosures for interests in joint arrangements and associates required by paragraphs 20–23 of IFRS 12 to determine whether they are relevant to joint arrangements and associates of investment entities. The table in Appendix B summarises this analysis.

67. On the basis of this analysis the staff believe that the disclosures from IFRS 12 paragraphs 21(b), 21(c), 22(b) and 22(c) should not apply to joint arrangements and associates of investment entities that are accounted for at fair value.

68. For joint ventures and associates of investment entities accounted for using the equity method of accounting the staff thinks that all of the disclosures in paragraphs 20–23 of IFRS 12 should apply.

69. The staff do not recommend removing the requirement for non-investment entities who measure their investments in associates and joint ventures at fair value using the existing option in IAS 28 to present summarised financial information. The staff believe that requiring summarised financial information provides useful, comparable information between similar entities where one entity has applied the equity method and the other entity has elected the fair value option. Moreover, the staff believe that removing an existing disclosure requirement for non-investment entities that the IASB has recently deliberated is outside the scope of the Investment Entities project.

70. The staff believe that the remainder of IFRS 12 should apply to an investment entity.

71. The staff recommends that the paragraph referring to duplicate disclosures (B20) should be deleted, because they believe that it is not necessary to state that disclosures do not need to be duplicated.

Question 3 – IFRS 7, 12 and 13

Does the IASB agree that:

(a) An investment entity should be required to provide the disclosures required by IFRS 7 and 13 in addition to the disclosures requirements for Investment Entities?

(b) The 'interests in subsidiaries' disclosures in IFRS 12 should only apply to consolidated investments of investment entities, except for paragraphs 14 and 16, which should still apply to an investment entity?

(c) Investment entities with joint ventures and associates accounted for using the fair value method do not need to apply paragraphs 21(b), 21(c), 22(b) and 22(c) of IFRS 12?

(d) Paragraph B20 should be deleted?

Leverage disclosures

72. The ED did not require an investment entity to disclose any information regarding leverage of its controlled investees.

Feedback received

73. Some constituents noted the lack of information about the leverage of controlled investees and requested that the IASB include a disclosure requirement about the leverage of an investment entity's controlled investees. Some of these constituents expressed particular concern about the lack of leverage information for investment entity subsidiaries of investment entity parents and master-feeder structures.

Staff analysis and recommendation

74. The staff agrees with constituents regarding the lack of disclosure of leverage held by the controlled investees of an investment entity. This information could be important for users' understanding of the risk that the investment entity faces through its underlying investments. In addition, disclosing leverage information for controlled investees could reduce the concern raised by IASB members and other constituents that an entity could structure itself as an investment entity in order to conceal leverage information.

75. The staff therefore recommend that the leverage ratio be included in the list of examples that might be appropriate to meet the disclosure objective in B19.

Question 4 – leverage disclosures
The staff recommend that the leverage ratio, leverage value and method of calculating the leverage ratio be included in the list of examples that might be appropriate to meet the disclosure objective. Does the IASB agree?

Disclosure of the use of the exception to consolidation

Background

76. The ED did not propose that an investment entity should disclose that it had applied the exception to consolidation.

Feedback received

77. One constituent recommended that disclosure should be made of the extent the exception to consolidation has been used and the rationale for its use.

Staff analysis and recommendation

78. The staff agrees with the constituent and recommend that an investment entity should be required to disclose that it is an investment entity and thus has not consolidated controlled investees in accordance with IFRS 10 *Consolidated*

Financial Statements. The staff also recommends that an investment entity should be required to disclose how the entity has met the definition and factors to be an investment entity with specific reasons given if it has not met one or more of the factors but has still concluded it is an investment entity. This required justification of not meeting one or more of the factors is discussed further in Agenda Paper 8A: Factors.

79. The staff believes that the disclosures described above would be beneficial for users to aid them in understanding the accounting treatment applied by the entity.

Question 5 – disclosure of use of exception
Does the IASB agree that an investment entity should be required to disclose that it is an investment entity and thus has not consolidated controlled investees, and how it has met the definition and factors to be an investment entity, with specific reasons given if it has not met one or more factors?

Appendix A

A1. The following disclosure requirements were included in the main body of the ED:

9. An investment entity shall provide information to enable users of its financial statements to evaluate the nature and financial effects of the investment activities in which it engages (see paragraphs B19 and B20).

10. In addition to disclosures required by IFRS 7 Financial Instruments: Disclosures, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement, an investment entity shall disclose the following information:

    a) When an entity's status has changed, as stated in paragraph 3, the entity shall disclose in the notes the change of status and reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including the effects of the change on the amounts of investments as of the date of the change of status and the related effects on profit or loss and total comprehensive income.

    b) Whether the investment entity has, during the reporting periods presented, provided financial or other support (explicitly or implicitly) to investees it controls, without having a contractual obligation to do so, including:

        i. the type and amount of support provided, including situations in which the investment entity assisted the investee in obtaining financial support, and

        ii. the reasons for providing the support.

    c) An investment entity shall disclose any current intentions to provide financial or other support to investees it controls, including intentions to assist a controlled investee in obtaining financial support.

d) The nature and extent of any significant restrictions on the ability of controlled investees to transfer funds to the investment entity in the form of cash dividends, or repayment of loans or advances.

A2. The following disclosure requirements were included in the application guidance:

> B18 An investment entity shall disclose the following for those investments that it controls:
>
> a) the investee's name;
>
> b) the investee's country of incorporation or residence; and
>
> c) the proportionate ownership interest in the investee held by the investment entity and, if different, the proportion of voting interest held.
>
> If the investment entity is the parent of another investment entity (the subsidiary) the parent shall also provide this disclosure for investments that are controlled by its subsidiary. The disclosure may be provided by including in the financial statements of the parent the financial statements of the subsidiary that contain the above information.
>
> B19 The following are examples of additional disclosures that may be appropriate to meet the disclosure objective in paragraph 10:
>
> a) The following per-share information calculated on the basis of a share outstanding throughout each period presented:
>
> i. total assets less total liabilities on a fair value basis at the beginning of the period;
>
> ii. net investment income or loss per share. Net investment income or loss should be divided by the total number of shares outstanding at the reporting date. Other methods, such as dividing net investment income by the average or weighted average number of

shares outstanding during the period, are acceptable and may be disclosed in order to meet the disclosure objective.

iii. realised and unrealised gains and losses per share, which are balancing amounts necessary to reconcile the change in fair value per share with the other per-share information presented;

iv. total income from investment operations, which is the sum of net investment income or loss and realised and unrealised gain or loss;

v. distributions to shareholders;

vi. purchase premiums, redemption fees or other capital items;

vii. payments by affiliates (to reimburse the fund for a loss on a portfolio investment, or to reimburse the fund for a loss where a loss-making investment was purchased (typically by a fund adviser) that violated the fund's investment restrictions); and

viii. total assets less total liabilities on a fair value basis at the end of the period.

b) Ratios of expenses and net investment income to average net assets, annualised for periods of less than a year, including the methodology for computing the ratios.

c) Total return, including the methodology for computing the total return.

d) An investment entity that obtains commitments from owners and periodically calls funds under those commitments to make investments discloses the total committed funds of the owners, the year of its formation and the ratio of total contributed funds to total committed funds of the owners.

B20 To avoid unnecessary duplication of disclosures, it should be noted that an investment entity does not need to apply the disclosure requirements in this [draft] IFRS if other IFRSs require disclosure of the same information.

Appendix B

B1. The table below shows the disclosures required under IFRS 12 for 'Interests in Subsidiaries' with the staff recommendations and reasoning:

Extract from IFRS 12 – Interests in Subsidiaries	Staff proposal for investment entities	Reason
10 An entity shall disclose information that enables users of its consolidated financial statements (a) to understand: (i) the composition of the group; and (ii) the interest that non-controlling interests have in the group's activities and cash flows (paragraph 12); and	N/A – see separate paragraphs below.	
(b) to evaluate: (i) the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group (paragraph 13); (ii) the nature of, and changes in, the risks associated with its interests in consolidated structured entities (paragraphs 14–17); (iii) the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control (paragraph 18); and (iv) the consequences of losing control of a subsidiary during the reporting period (paragraph 19).	N/A – see separate paragraphs below.	
11 When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements (see paragraphs B92 and B93 of IFRS 10), an entity shall disclose: (a) the date of the end of the reporting period of the financial statements of that subsidiary; and (b) the reason for using a different date or period.	Not applicable to investment entities	No consolidated financial statements will be prepared.

Extract from IFRS 12 – Interests in Subsidiaries	Staff proposal for investment entities	Reason
The interest that non-controlling interests have in the group's activities and cash flows 12 An entity shall disclose for each of its subsidiaries that have non-controlling interests that are material to the reporting entity: (a) the name of the subsidiary.	Not applicable to investment entities	No non-controlling interest amount will be shown in the statement of financial position and so these disclosures are unnecessary.
(b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary.	Not applicable to investment entities	No non-controlling interest amount will be shown in the statement of financial position and so these disclosures are unnecessary.
(c) the proportion of ownership interests held by non-controlling interests.	Not applicable to investment entities	No non-controlling interest amount will be shown in the statement of financial position and so these disclosures are unnecessary.
(d) the proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held.	Not applicable to investment entities	No non-controlling interest amount will be shown in the statement of financial position and so these disclosures are unnecessary.
(e) the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period.	Not applicable to investment entities	No non-controlling interest amount will be shown in the statement of financial position and so these disclosures are unnecessary.
(f) accumulated non-controlling interests of the subsidiary at the end of the reporting period.	Not applicable to investment entities	No non-controlling interest amount will be shown in the statement of financial position and so these disclosures are unnecessary.

Extract from IFRS 12 – Interests in Subsidiaries	Staff proposal for investment entities	Reason
(g) summarised financial information about the subsidiary (see paragraph B10).	Not applicable to investment entities	No non-controlling interest amount will be shown in the statement of financial position and so these disclosures are unnecessary.
The nature and extent of significant restrictions 13 An entity shall disclose: (a) significant restrictions (eg statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as: (i) those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group. (ii) guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.	Covered by Investment Entity-specific disclosures	Similar disclosure requirements have been included in the Investment Entities requirements regarding significant restrictions on the ability of the controlled investee to transfer funds to the investment entity.
(b) the nature and extent to which protective rights of non-controlling interests can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of non-controlling interests is required either to access the assets or to settle the liabilities of a subsidiary).	Covered by Investment Entity-specific disclosures	Similar disclosure requirements have been included in paragraph 10 regarding significant restrictions on the ability of the controlled investee to transfer funds to the investment entity which should cover whether a non-controlling interest has significantly restricted the investee's ability to transfer funds to the investment entity.

Extract from IFRS 12 – Interests in Subsidiaries	Staff proposal for investment entities	Reason
(c) the carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.	Not applicable to investment entities	No carrying amounts of assets and liabilities of controlled investees will be shown in the financial statements.
Nature of the risks associated with an entity's interests in consolidated structured entities 14 An entity shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss (eg liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support).	Could be applicable to the investment entity and therefore should be retained.	
15 If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a consolidated structured entity (eg purchasing assets of or instruments issued by the structured entity), the entity shall disclose: (a) the type and amount of support provided, including situations in which the parent or its subsidiaries assisted the structured entity in obtaining financial support; and (b) the reasons for providing the support.	Covered by Investment Entity-specific disclosures	Investments entities will be required to disclose the provision of, or the intention to provide, financial support.
16 If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a previously unconsolidated structured entity and that provision of support resulted in the entity controlling the structured entity, the entity shall disclose an explanation of the relevant factors in reaching that decision.	Could be applicable to the investment entity and therefore should be retained.	

Extract from IFRS 12 – Interests in Subsidiaries	Staff proposal for investment entities	Reason
17 An entity shall disclose any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support.	Covered by Investment Entity-specific disclosures	Investments entities will be required to disclose the provision of or the intention to provide financial support.
Consequences of changes in a parent's ownership interest in a subsidiary that do not result in a loss of control 18 An entity shall present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control.	Not applicable to investment entities	No equity attributable to parents will be shown in the financial statements because the subsidiary will be held at fair value.
Consequences of losing control of a subsidiary during the reporting period 19 An entity shall disclose the gain or loss, if any, calculated in accordance with paragraph 25 of IFRS 10, and: (a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and (b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).	Not applicable to investment entities	Investment will always be at fair value with no distinction in accounting treatment being made between controlled or not controlled.

B2. The table below shows the disclosures required under IFRS 12 for 'interests in joint ventures and associates' with the staff recommendations and reasoning:

Extract from IFRS 12 – Interests in joint arrangements and associates	**Staff proposal for investment entities**	**Reason**
20 An entity shall disclose information that enables users of its financial statements to evaluate: **(a) the nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates (paragraphs 21 and 22); and**	N/A – see separate paragraphs below.	
(b) the nature of, and changes in, the risks associated with its interests in joint ventures and associates (paragraph 23).	N/A – see separate paragraphs below.	
Nature, extent and financial effects of an entity's interests in joint arrangements and associates 21 An entity shall disclose: (a) for each joint arrangement and associate that is material to the reporting entity: (i) the name of the joint arrangement or associate.	Applicable to investment entities and should therefore be retained.	No reason for this disclosure to not be required by an investment entity.
(ii) the nature of the entity's relationship with the joint arrangement or associate (by, for example, describing the nature of the activities of the joint arrangement or associate and whether they are strategic to the entity's activities).	Applicable to investment entities and should therefore be retained.	No reason for this disclosure to not be required by an investment entity.
(iii) the principal place of business (and country of incorporation, if applicable and different from the principal place of business) of the joint arrangement or associate.	Applicable to investment entities and should therefore be retained.	No reason for this disclosure to not be required by an investment entity.

Extract from IFRS 12 – Interests in joint arrangements and associates	Staff proposal for investment entities	Reason
(iv) the proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (if applicable).	Applicable to investment entities and should therefore be retained.	No reason for this disclosure to not be required by an investment entity.
(b) for each joint venture and associate that is material to the reporting entity: (i) whether the investment in the joint venture or associate is measured using the equity method or at fair value.	Not applicable to investment entities and should therefore be removed.	Investment Entities will be required to measure their investments in joint ventures or associates at fair value.
(ii) summarised financial information about the joint venture or associate as specified in paragraphs B12 and B13.	Not applicable to investment entities and should therefore be removed.	Investments in joint ventures or associates will be measured at fair value. It would be inconsistent with the disclosure requirements for controlled investees to require this.
(iii) if the joint venture or associate is accounted for using the equity method, the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment.	Not applicable to investment entities and should therefore be removed.	Investment Entities will be required to measure their investments in joint ventures or associates at fair value.
(c) financial information as specified in paragraph B16 about the entity's investments in joint ventures and associates that are not individually material: (i) in aggregate for all individually immaterial joint ventures and, separately,	Not applicable to investment entities and should therefore be removed.	Investment Entities will be required to measure their investments in joint ventures or associates at fair value.
(ii) in aggregate for all individually immaterial associates.	Not applicable to investment entities and should therefore be removed.	Investment Entities will be required to measure their investments in joint ventures or associates at fair value.

Extract from IFRS 12 – Interests in joint arrangements and associates	Staff proposal for investment entities	Reason
22 An entity shall also disclose: (a) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control of or significant influence over a joint venture or an associate) on the ability of joint ventures or associates to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.	Applicable to investment entities and should therefore be retained.	No reason for this disclosure to not be required by an investment entity.
(b) when the financial statements of a joint venture or associate used in applying the equity method are as of a date or for a period that is different from that of the entity: (i) the date of the end of the reporting period of the financial statements of that joint venture or associate; and (ii) the reason for using a different date or period.	Not applicable to investment entities and should therefore be removed.	Investment Entities will be required to measure their investments in joint ventures or associates at fair value.
(c) the unrecognised share of losses of a joint venture or associate, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the joint venture or associate when applying the equity method.	Not applicable to investment entities and should therefore be removed.	Investment Entities will be required to measure their investments in joint ventures or associates at fair value.
Risks associated with an entity's interests in joint ventures and associates 23 An entity shall disclose: (a) commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in paragraphs B18–B20.	Applicable to investment entities and should therefore be retained.	No reason for this disclosure to not be required by an investment entity.

Extract from IFRS 12 – Interests in joint arrangements and associates	Staff proposal for investment entities	Reason
(b) in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors with joint control of, or significant influence over, the joint ventures or associates), separately from the amount of other contingent liabilities.	Applicable to investment entities and should therefore be retained.	No reason for this disclosure to not be required by an investment entity.

Appendix C

C1. The following disclosure requirements from the ED have been marked up to illustrate the changes that agreeing to all the staff recommendations would make. Underlines indicates new text and strikethroughs indicate removals:

9 An investment entity shall provide information to enable users of its financial statements to evaluate the nature and financial effects of the investment activities in which it engages (see paragraph~~s~~ B19~~ and B20~~).

10 In addition to disclosures required by IFRS 7 *Financial Instruments: Disclosures*~~,~~ ~~IFRS 12 *Disclosure of Interests in Other Entities*~~ and IFRS 13 *Fair Value Measurement*, an investment entity shall disclose the following information:

(a) When an entity's status has changed, as stated in paragraph 3, the entity shall disclose in the notes the change of status and reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including the effects of the change on the amounts of investments as of the date of the change of status and the related effects on profit or loss and total comprehensive income.

(b) Whether the investment entity has, during the reporting periods presented, provided financial or other support (explicitly or implicitly) to investees it controls, without having a contractual obligation to do so, including:

(i) the type and amount of support provided, including situations in which the investment entity assisted the investee in obtaining financial support; and

(ii) the reasons for providing the support.

(c) An investment entity shall disclose any current intentions to provide financial or other support to investees it controls, including intentions to assist a controlled investee in obtaining financial support.

(d) The nature and extent of any significant restrictions on the ability of controlled investees to transfer funds to the investment entity in the form of cash dividends, or repayment of loans or advances.

(e) That it has used the exception to consolidation for investment entities in IFRS 10 *Consolidated Financial Statements* and how it has met the definition and factors to be an investment entity. If the investment entity has not met one or more of the factors it must disclose its reasons for concluding it is an investment entity.

11 An investment entity shall not provide the disclosures required by IFRS 12: *Disclosures of Interests in Other Entities* for interests in subsidiaries other than paragraphs 14 and 16, except for consolidated subsidiaries, such as those that provide services to the investment entity. The remainder of IFRS 12 shall apply to the investment entity.

12 The additional disclosures required for investment entities shall either be given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time.

B18 An investment entity shall disclose the following for those investments that it controls:

(a) the investee’s name;

(b) the investee’s country of incorporation or residence; and

(c) the proportionate ownership interest in the investee held by the investment entity and, if different, the proportion of voting interest held.

If the investment entity is the parent of another investment entity (the subsidiary) the parent shall also provide this disclosure for investments that are controlled by its subsidiary. The disclosure may be provided by including in the financial statements of the parent the financial statements of the subsidiary that contain the above information.

B19 The following are examples of additional disclosures that, depending on the circumstances, may be appropriate to meet the disclosure objective in paragraph 9:

(a) The following per-share information calculated on the basis of a share outstanding throughout each period presented:

(i) total assets less total liabilities on a fair value basis at the beginning of the period;

(ii) net investment income or loss per share. Net investment income or loss should be divided by the total number of shares outstanding at the reporting date. Other methods, such as dividing net investment income by the average or weighted average number of shares outstanding during the period, are acceptable and may be disclosed in order to meet the disclosure objective.

(iii) realised and unrealised gains and losses per share, which are balancing amounts necessary to reconcile the change in fair value per share with the other per-share information presented;

(iv) total income from investment operations, which is the sum of net investment income or loss and realised and unrealised gain or loss;

(v) distributions to shareholders;

(vi) purchase premiums, redemption fees or other capital items;

(vii) payments by affiliates (to reimburse the fund for a loss on a portfolio investment, or to reimburse the fund for a loss where a loss-making investment was purchased (typically by a fund adviser) that violated the fund’s investment restrictions); and

(viii) total assets less total liabilities on a fair value basis at the end of the period.

(b) Ratios of expenses and net investment income to average net assets, annualised for periods of less than a year, including the methodology for computing the ratios.

(c) Total return, including the methodology for computing the total return.

(d) An investment entity that obtains commitments from owners and periodically calls funds under those commitments to make investments discloses the total committed funds of the owners, the year of its formation and the ratio of total contributed funds to total committed funds of the owners.

(e) Individual fair values of investments.

(f) The leverage ratio, value and methodology used to calculate the leverage ratio of investments.

~~B20 To avoid unnecessary duplication of disclosures, it should be noted that an investment entity does not need to apply the disclosure requirements in this [draft] IFRS if other IFRSs require disclosure of the same information.~~

B20 An investment entity that has joint ventures and associates accounted for using the fair value method is not required to apply paragraphs 21(b), 21(c), 22(b) and 22(c) from IFRS 12 *Disclosures of Interests in Other Entities.*