

STAFF PAPER

November 2019

IASB Meeting

Project	Lack of Exchangeability (IAS 21)		
Paper topic	Cover Paper		
CONTACT(S)	Vincent Louis	vlouis@ifrs.org	+44 (0) 20 7246 6470
	Jawaid Dossani	jdossani@ifrs.org	+44 (0) 20 7332 2742

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Introduction and purpose

1. In response to a question submitted, the IFRS Interpretations Committee (Committee) considered the determination of the exchange rate an entity uses in particular circumstances to translate the results and financial position of a foreign operation into its presentation currency applying IAS 21 *The Effects of Changes in Exchange Rates*. The question was submitted in the light of circumstances that exist in Venezuela.
2. As part of its analysis, the Committee observed that IAS 21 does not include requirements on the exchange rate an entity uses when the spot exchange rate (as defined in IAS 21) is not observable. This matter arises when exchangeability between two currencies is lacking. Accordingly, the Committee decided to research possible narrow-scope standard-setting aimed at addressing the matter.
3. The Committee discussed the research at its [November 2018](#) and [June 2019](#) meetings. In [June 2019](#), the Committee decided to recommend that the International Accounting Standards Board (Board) propose narrow-scope amendments to IAS 21 to address the matter.
4. The purpose of this meeting is to:
 - (a) explain the background to the project;
 - (b) present the Committee's recommendations; and
 - (c) ask the Board whether it agrees with the Committee's recommendation to undertake a narrow-scope standard-setting project.

Agenda papers for this meeting

5. Agenda Paper 12B provides further background information and sets out the Committee's recommendations on the scope of any possible standard-setting. That paper also asks the Board whether it agrees with the Committee's recommendation to undertake a narrow-scope standard-setting project.
6. If the Board agrees with the Committee's recommendation, we will discuss the specific recommendations made by the Committee with respect to the content of the narrow-scope amendments. In particular,
 - (a) Agenda Paper 12C sets out the Committee's analysis and recommendation on how to define exchangeability and, thus, a lack of exchangeability; and
 - (b) Agenda Paper 12D sets out the Committee's analysis and recommendation on how an entity would determine the spot exchange rate when exchangeability is lacking.
7. The Committee also discussed possible disclosure requirements that would apply when exchangeability is lacking. Committee members had mixed views, and directed us to conduct further research to identify disclosure requirements that would provide useful information. Our research is ongoing, and we will present the results of that research to the Board at a future meeting.
8. We are not asking the Board to make any decisions at this meeting on the specific recommendations included in Agenda Papers 12C and 12D. In our view, it would be helpful for the Board to first discuss and provide feedback on those recommendations. We will use that feedback to refine the analysis and recommendations that we will then bring to a future meeting for decision-making.

Next steps

9. If the Board agrees with the Committee's recommendation to undertake narrow-scope standard-setting, we will at a future meeting present to the Board:
 - (a) our updated analysis and recommendations with respect to the topics discussed in Agenda Papers 12C and 12D, incorporating feedback received at this meeting; and
 - (b) our analysis and recommendations on disclosure requirements.