

## STAFF PAPER

April 2020

## IASB Meeting

Project	Lack of Exchangeability (IAS 21)		
Paper topic	Cover Paper		
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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. After undertaking research, the Committee decided to recommend that the International Accounting Standards Board (Board) propose narrow-scope amendments to IAS 21 to address that matter.
3. At its [November 2019 meeting](#), the Board agreed with the Committee's recommendation and tentatively decided to undertake narrow-scope standard-setting.
4. However, we did not ask the Board to make decisions with respect to the content of the narrow-scope standard-setting at that meeting. We asked the Board to discuss and provide preliminary feedback on the Committee's recommendations on how to:
  - (a) define exchangeability and, thus, a lack of exchangeability; and
  - (b) determine the spot exchange rate when a currency lacks exchangeability.

5. We used the Board’s feedback to refine the analysis and recommendations on those topics. We also conducted further research and analysis to identify and recommend disclosure requirements that would provide useful information. The purpose of this meeting is to ask the Board whether it agrees with our recommendations.

### **Agenda papers for this meeting**

6. The papers for this meeting set out our analysis and recommendations on:
  - (a) how to define exchangeability and, thus, a lack of exchangeability—see Agenda Paper 12C;
  - (b) how an entity should determine the spot exchange rate when a currency lacks exchangeability—see Agenda Paper 12D; and
  - (c) the disclosures an entity should provide when a currency lacks exchangeability—see Agenda Paper 12E.

### **Next step**

7. If the Board agrees with our recommendations, we will bring a paper to a future Board meeting:
  - (a) discussing transition and effective date; and
  - (b) setting out the due process steps completed to date and asking the Board for permission to begin the balloting process on the Exposure Draft.