IASB Exposure Draft on Investment Entities

Question 1 – Exclusion of investment entities from consolidation

Do you agree that there is a class of entities, commonly thought of as an investment entity in nature should not consolidate controlled entities and instead measure them at fair value through profit or loss? Why or why not?

We agree with EFRAG's position.

Question 2 – Criteria for determining whether an entity is an investment entity (paragraphs 2 and B1-17)
Do you agree that the criteria in this exposure draft are appropriate to identify entities that should be required to measure their investments in controlled entities at fair value through profit or loss? If not, what alternative criteria would you propose, and why are those criteria more appropriate?

We do not have any reason to decline any of the criteria set in the ED.

Question 3 – 'Nature of the investment entity' (paragraphs 2(a) and B1-B6)
Should an entity still be eligible to qualify as an investment entity if it provides (or holds an investment in an entity that provides) services that relate to:
(a) its own investment activities?
(b) the investment activities of entities other than the reporting entity?

Why or why not?

We agree with EFRAG's position.

Question 4 – 'Pooling of funds' (paragraph 2(d) and B14-B16)
(a) Should an entity with a single investor unrelated to the fund manager be eligible to qualify as an investment entity? Why or why not?
(b) If yes, please describe any structures/examples that in your view should meet this criterion and how would you propose to address the concerns raised by the Board in paragraph BC16?

We agree multiple investors would be more appropriate rather than a single investor. It is also appropriate to consider its inclusion in the criteria to qualify an investment entity set in paragraph 2 of the ED.

Question 5 – Measurement guidance (paragraphs 6 and 7)
Do you agree that investment entities that hold investment properties should be required to apply the fair value model in IAS 40, and do you agree that the measurement guidance otherwise proposed in the exposure draft need apply to financial assets, as defined in IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement? Why or why not?

We agree with EFRAG's position.

Question 6 – Accounting in the consolidated financial statements of a non-investment parent (paragraph 8)
Do you agree that the parent of an investment entity that is not itself an investment entity should be required to consolidate all of its controlled entities including those it holds through subsidiaries that are investment entities? If not, why not and how would you propose to address the Board's concerns?

We agree that the parent of an investment entity that is not itself an investment entity should be required to consolidate all of its controlled entities including those it holds through subsidiaries that are investment entities.

Question 7 – Disclosures (paragraph 9 and 10)
(a) Do you agree that it is appropriate to use this disclosure objective for investment entities rather than including additional specific disclosure requirements?
(b) Do you agree with the proposed application guidance on information that could satisfy the disclosure objective? If not, why not and what would you propose instead?

We agree with EFRAG's position.

Question 8 – Transition (paragraph C2)
Do you agree with applying the proposals prospectively and the related proposed transition requirements? If not, why not? What transition requirements would you propose instead and why?

We agree with EFRAG's position that the application would be applied retrospectively.

Question 9 – Scope exclusion in IAS 28 (as amended in 2011)
(a) Do you agree that IAS 28 should be amended so that the mandatory measurement exemption would apply only to investment entities as defined in the exposure draft? If not, why not?
(b) As an alternative, would you agree with an amendment to IAS 28 that would make the measurement exemption mandatory for investment entities as defined in the exposure draft and voluntary for other venture capital organisations, mutual funds, unit trusts and similar entities, including investment-linked insurance funds? Why or why not?

We agree with EFRAG's position, for the IASB to carry out an impact assessment of the issue.

Lisbon, 5th January 2012