FINANSRÅDET

Mr Wayne Upton
Chairman
International Financial Reporting Committee
30 Cannon Street
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Dear Mr Upton

5 September 2012

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Draft IFRIC Interpretation DI/2012/1 Levies Charged by Public Authorities on Entities that Operate in a Specific Market

The Danish Bankers Association (Finansrådet) is pleased to comment on the IFRS Interpretations Committee's (the Committee's) Draft Interpretation DI/2012/1 *Levies Charged by Public Authorities on Entities that Operate in a Specific Market* (referred to as the "draft Interpretation").

We agree that the consensus in the draft Interpretation provides an appropriate interpretation of the treatment of levies within its scope under current IFRSs, namely the Conceptual Framework and IAS 37 (partly by analogy).

Generally we would be opposed to IFRIC taking into consideration special wishes or requests to have exceptions for instance in interim reports that would not be consistent with existing IFRS literature.

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Our detailed responses to the invitation to comment questions are included in the Appendix to this letter.

If you have any questions concerning our comments, please contact Mr Søren Gade – E-mail: sga@finansraadet.dk.

Yours sincerely

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FINANSRÅDET

DANISH BANKERS ASSOCIATION

MEMO

5 September 2012

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Appendix: responses to the questions raised in the Draft Interpretation

Question 1 – Scope

The draft Interpretation addresses the accounting for levies that are recognised in accordance with the definition of a liability provided in IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Levies that are within the scope of the draft Interpretation are described in paragraphs 3-5.

We support and agree with the scope, and we do not at this stage need further elaboration of the scope characteristics as described in § 5 and we support particularly the wording in § 3 as we agree that levies are not provisions as defined by IAS 37, but are liabilities as defined in IAS 37 and we support that IAS 37 is used partly by analogy to issue the interpretation as drafted.

It is stated in § 5(c) that levies "are non-exchange transactions, ie transactions in which the entity paying the levy does not receive any specific asset in direct exchange for the payment of the levy". We particularly support the wording of § 5(c) and we agree that potential indirect benefits from the levy do not scope it out of the draft Interpretation.

Question 2 – Consensus

The consensus in the draft Interpretation (paragraphs 7-12) provides guidance on the recognition of a liability to pay a levy.

Do you agree with the consensus proposed in the draft Interpretation? If not, why and what alternative do you propose?

We agree the consensus in the draft Interpretation provides an appropriate interpretation of the treatment of levies within its scope under current IFRSs, namely the Conceptual Framework and IAS 37 (partly by analogy), and we also agree with conclusions and we support them and we would not like to see modifications to the draft interpretation.

Paragraph 19 of IAS 37 states that: 'It is only those obligations arising from past events existing independently of an entity's future actions (ie the fu-

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ture conduct of the business) that are recognised as provisions'. Therefore, if an entity could avoid the payment of the levy by terminating its operations, we agree it to be consistent with current IFRS literature no liability should be recognised for levies relating to the future conduct of the business, even if, for example, an entity has an economic compulsion to continue to operate in the market in the future periods.

With reference to those cases where the measurement of the levy is based on the revenues generated in a prior period, we agree with the consensus in § 7, because it is consistent with the definition of assets and liabilities.

We also believe that the just abovementioned comments support the draft interpretation conclusions in relation to interim reporting as stated in § 12 of the draft interpretation.

We also agree with Basis for Conclusion in relation to obligating event (BC8 and 9), the arguments about there not being a constructive obligation at a reporting date arising from operating in a future period (BC13, 15 and 16). Finally we also agree with the Basis for Conclusion in relation to interim reports as stated in BC21 and the statement in BC23 about prepayments.

Question 3 – Transition

Entities would be required to apply the draft Interpretation retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Do you agree with the proposed transitional requirements? If not, what do you propose and why?

We agree with the proposed transitional provisions in the draft Interpretation.

Other comments

We would like to bring to your attention that the Danish deposit guarantee scheme was changed last year and the adjusted scheme was based on an understanding of IAS 37 exactly as concluded in the draft Interpretation. It is therefore imperative to us, that the final interpretation does not take into consideration special wishes or requests to have exceptions for instance in interim reports that would not be consistent with existing IFRS literature.