MINISTERIO
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Comment Letter on the ED/2014/2 Investment Entities: Applying the Consolidation Exception *(Proposed amendments to IFRS 10 and IAS 28)*

European Financial Reporting Advisory Group
35 Square de Meeûs
Brussels B-1000
Belgium

Dear Madam/Sir,

In the present letter ICAC gives its view on the EFRAG position presented in your draft comment letter on IASB's Exposure Draft ED/2014/2 Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28).

First of all, ICAC welcomes the IASB's initiative aimed to improve and clarify the application of the IFRS.

Nevertheless, we would like to highlight the following point: given that IFRS should be endorsement to be adopted by the EU for implementation by the Member States, we believe that EFRAG should also address not only a technical analysis of the proposed standard, but also an analysis of compatibility with the EU accounting rules, especially with the Accounting Directives, with a particular attention to this case on the application of exceptions to the scope of consolidation. Thus, the possible concerns that may arise at the time of discussing the possible adoption of the standard by the European Union would be anticipated.

For the sake of clarity we have included the IASB´s questions for respondents:

Question 1 - Exemption from preparing consolidated financial statements

The IASB proposes to amend IFRS 10 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures its subsidiaries at fair value in

accordance with paragraph 31 of IFRS 10. Do you agree with the proposed amendment? Why or why not?

We are in favour of requiring a parent, which is not an investment entity itself, to consolidate the controlled entities that it holds through subsidiaries, especially in those cases where the controlled entities are not investment entities, even in the case that the parent entity itself is a subsidiary of an investment entity. Although regarding IFRS 10 paragraph 4 (a) (i) all its owners have been informed and have the possibility to object to the not present consolidated financial statements, the rest of stakeholders do not have access to consolidated financial statements.

In consequence, we do not support this exemption which would increase the scope of consolidation exception.

Question 2 – A subsidiary that provides services that relate to the parent's investment activities

The IASB proposes to amend IFRS 10 to clarify the limited situations in which paragraph 32 applies. The IASB proposes that the requirement for an investment entity to consolidate a subsidiary, instead of measuring it at fair value, applies only to those subsidiaries that act as an extension of the operations of the investment entity parent, and do not themselves qualify as investment entities. The main purpose of such a subsidiary is to provide support services that relate to the investment entity's investment activities (which may include providing investment-related services to third parties). Do you agree with the proposed amendment? Why or why not?

Yes, we agree with the proposed amendment.

Question 3 - Application of the equity method by a non-investment entity investor to an investment entity investee

The IASB proposes to amend IAS 28 to:

(a) require a non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by an investment entity associate to its interests in subsidiaries; and

(b) clarify that a non-investment entity investor that is a joint venturer in a joint venture that is an investment entity cannot, when applying the equity method, retain the fair value measurement applied by the investment entity joint venture to its interests in subsidiaries.

Do you agree with the proposed amendments? Why or why not?

We agree with EFRAG´s view in the sense we support the proposal regarding the application of the equity method by a non-investment entity investor to its investment entity associate, but we do not see conceptual reason to require the equity method differently to joint ventures in the cases addressed in the ED.

In consequence we also disagree with the IASB´s proposal regarding the application of the equity method by a non-investment entity joint venture to its investment entity joint venture.

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Ana Mª Martínez-Pina (Chairman of ICAC)