

## Draft Comment Letter

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Comments should be submitted by 7 April 2026.

International Accounting Standards Board  
7 Westferry Circus, Canary Wharf  
London E14 4HD  
United Kingdom

[XX Month 2026]

Dear Mr Barckow,

**Re: Exposure Draft *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures*—Proposed Amendments to IAS 28**

On behalf of EFRAG, I am writing to comment on the Exposure Draft *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures*—Proposed Amendments to IAS 28, issued by the IASB on 19 February 2026 (the ED).

This letter is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of definitive IFRS Accounting Standards in the European Union and European Economic Area.

EFRAG supports the proposed amendments to paragraphs 18 and 19 of IAS 28 because these will address the concerns raised by insurers about the diversity in interpretation of 'similar entities', which would arise when IFRS 18 *Presentation and Disclosure in Financial Statements* becomes effective on 1 January 2027. We also agree on the need for the IASB to finalise the amendments as a matter of urgency to ensure they can be endorsed in time for the initial application of IFRS 18.

EFRAG's detailed comments and responses to the questions in the ED are set out in the Appendix.

If you would like to discuss our comments further, please do not hesitate to contact Vincent Papa or Sapna Heeralall.

Yours sincerely,

Wolf Klinz

**Chair of EFRAG FRB**

## Appendix – EFRAG’s responses to the questions raised in the ED

### Question 1 – Proposed amendments to paragraphs 18 and 19 of IAS 28

#### Notes to constituents – Summary of proposals in the ED

*Why the IASB is issuing an Exposure Draft*

- 1 *The IASB decided to propose these amendments because stakeholders, particularly those in the insurance industry, informed the IASB about diversity in how the requirements for the fair value option in IAS 28 are applied and the effects of that diversity on the classification of income and expenses in the statement of profit or loss in accordance with IFRS 18 Presentation and Disclosure in Financial Statements.*
- 2 **Diversity in practice:** *Some stakeholders interpreted the requirement in paragraph 18 of IAS 28 narrowly as referring only to those investments in associates or joint ventures held by investment-linked insurance funds, e.g. contracts that apply the Variable Fee Approach under IFRS 17 Insurance Contracts, and not to other types of insurance contracts, for example property and casualty contracts applying the General Model or the Premium Allocation Approach. Other stakeholders interpreted the requirement more broadly as referring to any investments in associates and joint ventures directly or indirectly related to insurance contracts issued.*
- 3 **Effect of the diversity on IFRS 18 classification:** *IFRS 18 requires income and expenses from all investments accounted for using the equity method to be classified in the investing category of the statement of profit or loss. However, it requires income and expenses from investments in associates and joint ventures accounted for using the fair value option in IAS 28 to be classified in the operating category if an entity invests in these assets as a main business activity.*
- 4 *Some entities, particularly those in the insurance industry, consider some investments in associates and joint ventures to be part of their main business activity of investing in assets. Therefore, they consider the related income and expenses to be part of their operating results. To enable them to classify the income and expenses from these investments in the operating category of the statement of profit or loss, some insurers have considered expanding their use of the fair value option in IAS 28 to measure these investments.*

*Clarifying which entities are eligible to elect the fair value option*

- 5 *The IASB took the view that aligning the scope of the fair value option in IAS 28 with the requirements in paragraph 49(a) of IFRS 18 would achieve the objectives set out in paragraph BC9<sup>1</sup> of the ED.*
- 6 *As per paragraph BC16 of the ED, some IASB members expressed the view that the requirement should be further refined to ensure that the fair value option in IAS 28 is limited to those investments in associates and joint ventures that an entity invests in as a main business activity. However, the IASB concluded that aligning the requirement in paragraph 18 of IAS 28 directly with the requirement in paragraph 49(a) of IFRS 18 would reduce the risk of inconsistent interpretations between the requirements in IAS 28 and IFRS 18 and avoid adding further complexity to the requirements in paragraph 18 of IAS 28.*

*Alternative views on the ED*

- 7 *Three IASB members voted against the publication of the ED because they disagree with the scope of the proposed amendments for the following reasons.*
- (a) *An unrestricted fair value option would be a more principle-based alternative.*
  - (b) *It is important to determine whether fair value measurement is only relevant for investments in associates or joint ventures held by particular entities.*
  - (c) *There is no conceptual reason for limiting the use of the fair value option to particular entities. In their view, it is unclear why an entity that invests in particular assets as a main business activity may elect the fair value option while other entities may not, particularly because the investment in an associate or joint venture is not required to be part of that main business activity of investing in particular assets (paragraph AV4 of the ED).*

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<sup>1</sup> Paragraph BC9 of the ED states:

*“The IASB took the view that to resolve stakeholders’ concerns, any proposed amendments to the fair value option should:*

*(a) be narrow in scope and focus only on the concerns identified;*

*(b) not affect entities that already use the fair value option in IAS 28; and*

*(c) minimise the risk of unintended consequences for other requirements in IFRS Accounting Standards and the IASB’s other projects.”*

- (d) *Other entities would not have access to the same potential benefits. For example, an unrestricted fair value option might benefit entities that have limited access to financial information about associates and joint ventures that are listed entities.*
- (e) *An unrestricted fair value option would not result in unintended consequences for other requirements because US GAAP permits all entities to elect a fair value option for investments in equity securities that would otherwise be accounted for under the equity method, and they are not aware of any stakeholder concerns on US GAAP.*

**Question 1—Proposed amendments to paragraphs 18–19 of IAS 28**

Paragraphs 18–19 of IAS 28 permit an entity to elect to measure an investment in an associate or a joint venture at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* if the investment is held by a venture capital organisation, or a mutual fund, unit trust and similar entities, including investment-linked insurance funds.

The IASB is proposing to amend paragraphs 18–19 of IAS 28 to clarify that similar entities include those that have a main business activity of investing in particular types of assets (as set out in paragraph 49(a) of IFRS 18).

Paragraphs BC1–BC19 of the Basis for Conclusions explain the IASB’s rationale for this proposal. In particular, paragraphs BC9–BC13 explain why the IASB decided not to propose extending the fair value option to all entities.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

*EFRAG’s response*

- 8 EFRAG supports the proposed amendments to paragraphs 18 and 19 of IAS 28 because these will address the concerns raised by insurers about the diversity<sup>2</sup> in interpretation of ‘similar entities’, which would arise when IFRS 18 *Presentation and Disclosure in Financial Statements* becomes effective on 1 January 2027. Insurers had concerns about classifying, in the investing category, income and expenses from investments in associates and joint ventures accounted for using the equity method that are linked to insurance contracts or held for prudential purposes to meet solvency requirements. These insurers classify such income and expenses in the operating category, because those income and expenses are

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<sup>2</sup> During the EFRAG IFRS 18 endorsement process and in response to EFRAG’s draft comment letter on the IASB’s *Equity Method* project, insurers highlighted the diversity in how they interpret the scope of similar entities to which the fair value option applies.

part of 'net financial result' (investment income minus insurance finance income and expenses), which is an important indicator of an insurer's operating performance. We also agree on the need for the IASB to finalise the amendments as a matter of urgency to ensure they can be endorsed in time for the initial application of IFRS 18.

- 9 EFRAG acknowledges the dissenting views of some IASB members, who consider that a principle-based approach would go beyond clarifying the applicability of the fair value option for the eligible insurers, and in their view, the IASB should instead consider amending IAS 28 to allow an unrestricted fair value option.
- 10 However, EFRAG supports the proposed amendments because a broader scope would require more extensive outreach<sup>3</sup> to stakeholders (including users), and this would be difficult to accomplish in a fast-track project, which is required to allow amendments before the effective date of IFRS 18. That said, EFRAG recommends that, in its forthcoming agenda consultation and outside of the process of finalising the proposed amendments, the IASB consider seeking stakeholders' views on whether to have an unrestricted fair value option for all entities as this would be a more principle-based approach.

#### Question to Constituents

- 11 EFRAG supports the amendments. In addition, EFRAG seeks constituents' feedback on which investments in associates and joint ventures they consider would be in the scope of the proposed amendments (see paragraphs 6 and 7(c) above). Based on the ED, do you consider that an entity can apply the fair value option for:
- (a) **all** investments in associates and joint ventures if the entity invests in particular types of assets as one of its main business activities; or
  - (b) **only those** investments in associates and joint ventures that are part of the specific main business activity of investing in particular assets?

#### Question 2 — Effective date and transition

##### Notes to constituents – Summary of proposals in the ED

- 12 *In accordance with paragraph C7 of IFRS 18, an entity may, on initial application of that Standard, elect to measure investments in associates and joint ventures using the fair value option in IAS 28. The IASB concluded, therefore, that any amendments to the fair value*

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<sup>3</sup> Such outreach would be required to assess the implications of the fair value option for users of financial statements and whether there would be any comparability issues.

*option in IAS 28 would need to be effective on or before the effective date of IFRS 18 to enable entities to benefit from those amendments.*

- 13 *If an entity has elected to apply IFRS 18 for an earlier period than 1 January 2027 (as per paragraph C1<sup>4</sup> of IFRS 18), and that earlier period begins before the issuance of these amendments, the entity shall apply the amendments from the beginning of the reporting period starting on or after the issuance of the amendments.*

**Question 2—Effective date and transition**

The IASB proposes that an entity apply the amendments to paragraphs 18–19 of IAS 28 at the same time and on the same basis as it applies IFRS 18.

Paragraphs BC20–BC21 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

*EFRAG’s response*

- 14 Based on the above reasons, EFRAG agrees with the IASB’s proposals on the effective date and transition, namely that the amendments should be finalised in time for the initial application of IFRS 18 (considering the endorsement process).

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<sup>4</sup> Paragraph C1 of IFRS 18 states: ‘An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted. If an entity applies this Standard for an earlier period, it shall disclose that fact in the notes.’