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IFRS-FA – öffentliche SITZUNGSUNTERLAGE

Sitzung:	28. IFRS-FA / 23.06.2014 / 12:45 – 13:45 Uhr
TOP:	03 – Interpretationsaktivitäten
Thema:	Diverse IFRS IC-Entscheidungen
Unterlage:	28_03_IFRS-FA_Interpret_CN

1 Sitzungsunterlagen für diesen TOP

- 1 Für diesen Tagesordnungspunkt (TOP) der Sitzung liegen folgende Unterlagen vor:

Nummer	Titel	Gegenstand
28_03	28_03_IFRS-FA_Interpret_CN	Cover Note
28_03a	28_03a_IFRS-FA_Interpret_IFRSIC	IFRIC Update Mai 2014
28_03b	28_03b_IFRS-FA_Interpret_IAS19	Sachverhaltsdarstellung und AG-Feedback zur IFRS IC-Diskussion betreffend IAS 19

Stand der Informationen: 06.06.2014.

2 Ziel der Sitzung

- 2 Der IFRS-FA hat in seiner 27. Sitzung die Ergebnisse der IFRS IC-Sitzung von Mai 2014 in Kürze zur Kenntnis genommen. Da das IFRS IC **keine vorläufigen Agenda-Entscheidungen (TAD)** getroffen hatte, gibt es diesbezüglich keinen Kommentierungsbedarf.
- 3 Von den seitens des IFRS IC getroffenen neun **endgültigen Agenda-Entscheidungen (AD)** hat der IFRS-FA in seiner 27. Sitzung beschlossen, drei wieder aufzugreifen und auf Basis des Entscheidungswortlauts (siehe IFRIC Update 5/2014, zugleich Unterlage **28_03a**) vertiefend zu erörtern. Details hierzu finden sich in Abschnitt 3 dieser Unterlage.
- 4 Insb. die **IFRS IC-Entscheidung betreffend IAS 12** (*DTA when an entity is loss-making*) soll erneut aufgegriffen werden. Hierzu hatte der IFRS-FA festgestellt, dass die IFRS IC-Entscheidung in Deutschland von Bedeutung ist, da die gängige Bilanzierungspraxis hierdurch möglicherweise beeinflusst wird.
- 5 Schließlich soll die Diskussion des IFRS-FA in dessen 26. Sitzung zum Thema IAS 19 (*Remeasurement at a plan amendment or curtailment*) fortgesetzt werden. Hierzu hatte der IFRS-FA Feedback aus der DRSC-AG "Pensionen" erbeten, das nun vorliegt (vgl. Unterlage



28_03b). Zudem hatte das IFRS IC in seiner Sitzung im Mai 2014 die Diskussion dieses Themas fortgeführt, aber noch nicht abgeschlossen. Eine vorläufige Entscheidung steht noch aus.

3 Informationen im Detail

3.1 Endgültige Agenda-Entscheidungen

- 6 In der IFRS IC-Sitzung im Mai 2014 wurden mehrere endgültige Agenda-Entscheidungen getroffen. Von diesen hat der IFRS-FA in seiner vergangenen 27. Sitzung nachstehende drei zur vertiefenden Befassung ausgewählt:

IAS/IFRS	Thema	TAD
IAS 32	<i>MCB subject to a cap and a floor</i>	NIFRIC (keine Guidance oder Änderung, da existierende Guidance ausreichend)
IFRS 3	<i>Identification of the acquirer in a stapling arrangement</i>	NIFRIC (derzeit kaum Diversity in practice, auf künftig nicht zu erwarten)
IAS 12	<i>DTA when an entity is loss making</i>	NIFRIC (keine Guidance oder Änderung, da existierende Guidance ausreichend)

Details zu den ersten beiden Sachverhalten finden sich in Abschnitten 3.1.1-3.1.3 dieser Unterlage.

- 7 Hinzu kommt der Sachverhalt IAS 19 (*Discount rate: regional market issue*), zu welchem die IFRS IC-Diskussion und -Entscheidung formal keine Agenda-Entscheidung ist, sondern Teil der Erörterung des Projekts "AIP 2012-2014" und eine Empfehlung an den IASB darstellt. Dieser Sachverhalt wird in Abschnitt 3.2 dieser Unterlage aufgegriffen.



3.1.1 Zu IAS 32 – *Mandatorily convertible bonds subject to a cap and a floor*

- 8 Dieser Sachverhalt wurde im Januar 2014 im IFRS IC diskutiert. Er wurde aus einem anderen, früher erörterten Sachverhalt abgeleitet und sodann eigenständig behandelt. (Details zum Ursprungssachverhalt finden sich im Abschnitt 3.1.2 dieser Unterlage.)
- 9 Im Oktober 2013 hatte das IFRS IC einen *Outreach Request* hierzu gestartet. Dabei wurde der Sachverhalt wie folgt übermittelt und mit folgenden Fragen versehen.

The instrument has the following features:

- An entity issues a debt instrument for CU1000. The instrument has a stated maturity date.
- At maturity, the issuer must deliver a variable number of its own equity shares to equal CU1000 - subject to a maximum of 130 shares and a minimum of 80 shares.
- When the instrument was issued, the fair value of the issuer's equity share was CU10.
- The instrument has a fixed interest rate and interest is payable annually (in cash).

The question is how the issuer would classify this instrument in accordance IAS 32. We are aware of at least four alternative views. Two of those alternatives would classify the instrument as a financial liability, while the other two alternatives would classify the instrument as a compound instrument that is comprised of liability and equity components. I have attached more detailed information about the four alternative views to this email.

Q1: *Is the instrument described above common in your jurisdiction?*

Q2: *If so, how is it classified? If there is diversity in practice, please explain.*

- 10 Die DRSC-Antwort vom 4. November 2013 hierzu lautete wie folgt:

Zu Q1: Yes, we see such instruments in practice.

Zu Q2: We consider view 1 being most appropriate. However, view 2 also appeared in practice. Thus, there might be some diversity in practice. View 3 and 4, though, are not shared.

- 11 Das IFRS IC hatte im Januar 2014 den Sachverhalt erörtert und vorläufig beschlossen, dass eine Klarstellung oder Interpretation zu IAS 32 nicht erforderlich sei. Der Beschluss wurde wie folgt begründet (Auszug IFRIC Update 1/2014):

The IFRS IC discussed how an issuer would account for a particular mandatorily convertible financial instrument in accordance with IAS 32 and IAS 39 or IFRS 9. The financial instrument has a stated maturity date and at maturity the issuer must deliver a variable number of its own equity instruments to equal a fixed cash amount—subject to a cap and a floor, which limit and guarantee, respectively, the number of equity instruments to be delivered.

The IFRS IC noted that the instrument is a non-derivative instrument that meets the definition of a financial liability in IAS 32.11(b)(i) because the issuer has a contractual obligation to deliver a variable number of its own equity instruments. Although the variability is limited by the cap and the floor, the number of equity instruments that the issuer is obliged to deliver is not fixed and therefore the instrument does not meet the definition of equity. The IFRS IC noted that it is inappropriate to consider that there are



separate conversion features for each of the scenarios in which the issuer will deliver a different number of its own equity instruments because the conversion outcomes are mutually exclusive. That is, IAS 32 does not permit an issuer to divide a conversion feature into multiple outcomes for the purposes of evaluating whether the instrument contains a component that meets the definition of equity in that Standard.

Furthermore, the IFRS IC noted that the cap and the floor are embedded derivative features whose values change in response to the price of the issuer's equity share. Therefore, assuming that the issuer has not elected to designate the entire instrument under the fair value option, the issuer must separate those embedded derivative features from the host liability contract and account for them at fair value through profit or loss in accordance with IAS 39 or IFRS 9.

The IFRS IC considered that in the light of its analysis of the existing IFRS requirements, an Interpretation was not necessary and consequently [decided] not to add the issue to its agenda.

- 12 Der IFRS-FA hatte im Februar 2014 Kenntnis von der vorläufigen Entscheidung des IFRS IC erhalten, aber keinen weiteren Diskussionsbedarf festgestellt.



3.1.2 EXKURS: Zu IAS 32 – *Mandatorily convertible bonds (subject to a cap and a floor) with the option to settle at a fixed (maximum) number of shares*

- 13 Das Interpretationsthema wurde im Frühjahr 2013 beim IFRS IC eingereicht. Die Fragestellung betrifft die Anwendung von IAS 32.20(b) im Falle eines vorzeitigen Wandlungsrechts gegen eine im Vorhinein festgelegte fixe Anzahl von Anteilen.
- 14 Im Mai 2013 hatte das IFRS IC einen *Outreach Request* hierzu gestartet. Dabei wurde der Sachverhalt ("Submission 2 / Issue #2") wie folgt übermittelt und mit zwei Fragen versehen.

The instrument described in the submission has the following features:

- It is settled at maturity by delivery of the issuer's ordinary shares to equal the value of CU99,000. However there is a cap that limits the number of shares that the issuer is required to deliver to 660 and a floor that requires the issuer to deliver a minimum number of 550 shares.
- The issuer also has an option to issue the 660 shares (ie the fixed maximum number of shares) at any time before maturity. If the issuer chooses to settle the instrument by issuing the maximum number of shares early (ie 660) all interest must be paid for the entire period of the instrument.
- Interest of 5% is payable annually, but can be deferred if the issuer does not pay dividends on its ordinary shares. However, deferred interest must be paid upon settlement.

The submission asked how this instrument would be classified under IAS 32. Specifically, it asked how to assess the issuer's option to settle the instrument by delivering the fixed maximum number of shares, i.e. whether that feature has commercial substance and/or establishes indirectly a contractual obligation to deliver a variable number of shares.

Q1: *Are the instruments described above common in your jurisdiction?*

Q2: *If so, how are they classified? If there is diversity in practice, please explain.*

- 15 Die DRSC-Antwort vom 19. Juni 2013 hierzu lautete wie folgt:

Zu Q1: There are some isolated instances in which financial instruments as described in the submission have been issued by German companies. All participants in the call agreed, however, that an increased use of such instruments can be expected.

Zu Q2: For such instruments, first of all, there was broad agreement that the classification to a large extent depends on individual facts and circumstances of the instrument, which are not always publicly available. Having said that, it is of no surprise that some participants are aware of instruments classified in total as financial liabilities while others indicated that they have seen such instruments being classified largely as equity, with a financial liability component being recorded for the coupons, only. Thus, there is diversity in practice, which however, also appears to be due to differences in facts and circumstances of the individual instruments.

As there is a number of different views regarding the appropriate accounting, a view of the IFRS IC in respect of the debt / equity classification would be highly appreciated.



In the fact pattern provided, the issuer has the right to convert into a fixed number of own shares at any time. There may however be an indirect obligation for the issuer, which would result in classifying the instrument as a financial liability. Some were of the view that in this respect IAS 32.20 (b) should be considered for the type of financial instrument described in the submission whereas others were of the view that IAS 32.20 (b) is not applicable.

If IAS 32.20 (b) should be considered, the proposal was made in the course of the conference call, that the IFRS IC would provide a valuable contribution to this debate by providing application guidance as to how the term “determined to exceed substantially” in assessing those individual facts and circumstances needs to be understood. Guidance would especially be appreciated for

- (a) what probability threshold would be applied in interpreting the term “determined to” and
- (b) how to quantitatively interpret “exceed substantially”.

- 16 Das IFRS IC hatte daraufhin im Juli 2013 den Sachverhalt erstmals in öffentlicher Sitzung erörtert und vorläufig beschlossen, dass der Sachverhalt aufgrund vorhandener (ausreichender) Regelungen keiner weiteren Erörterung bedarf. Diese vorläufige Entscheidung wurde wie folgt begründet (Auszug aus IFRIC Update 7/2013):

The IFRS IC noted that paragraph 15 of IAS 32 requires the issuer of a financial instrument to classify the instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. Consequently the IFRS IC noted that if a contractual term of a financial instrument lacks substance, that contractual term would be excluded from the classification assessment of the instrument.

The IFRS IC noted that the issuer cannot assume that a financial instrument (or its components) meets the definition of an equity instrument simply because the issuer has the contractual right to settle the financial instrument by delivering a fixed number of its own equity instruments. The IFRS IC noted that judgement will be required to determine whether the issuer’s early settlement option is substantive and thus should be considered in determining how to classify the instrument. If the early settlement option is not substantive, that term would not be considered in determining the classification of the financial instrument. To determine whether the early settlement option is substantive, the issuer will need to understand whether there are actual economic or business reasons that the issuer would exercise the option. For example, among other factors, the issuer could consider whether the instrument would have been priced differently if the issuer’s early settlement option had not been included in the contractual terms.

- 17 Der IFRS-FA hat sich in seiner 19. Sitzung (September 2013, insb. Unterlage **19_04b**, **19_04d** und **19_04e**) mit der Diskussion zu diesem Interpretationssachverhalt befasst und am 13. September 2013 eine Stellungnahme übermittelt. Die DRSC-Position in Kurzform ist:

We support the IFRS IC’s view taken in its agenda decision that neither an interpretation nor an amendment to IAS 32 is necessary. However, we do not fully agree with the rationale or arguments the IFRS IC has developed in concluding on the issue. In particular,



- Interpretation of the term “substance”: we are concerned that the agenda decision wording introduces a too low threshold (IAS 32.25, AG28).
- Clarification of the term “economic or business reasons”: As this is one of the central arguments in the discussion as well as in the agenda decision wording, we fail to understand what distinguishes these “economic or business reasons” from economic compulsion, which should not be taken into consideration when classifying a financial instrument as either equity or liability.
- Application of the principle stated in IAS 32.20(b): In addition to being considered in interpreting the term “substantive” (see above), the guidance IAS 32.20(b) should have more weight in the assessment for itself.

To summarize, we consider all the guidance in IAS 32 (i.e. IAS 32.20(b), IAS 32.25) supporting the IFRS IC decision. Thus, we suggest it is fully taken into account and included in the agenda decision wording. If, however, the IFRS IC does not consider this guidance being relevant, we feel that there is potential for misinterpretation or diversity in practice when applying IAS 32. As a consequence, this would require an interpretation or a narrow-scope amendment to the standard.



3.1.3 Zu IFRS 3 – *Identification of the acquirer in a stapling arrangement*

- 18 Das Interpretationsthema wurde im September 2013 beim IFRS IC eingereicht. Die Fragestellung betrifft das Zusammenspiel von IFRS 3 und IFRS 10, insb. die Anwendung von IFRS 3.43 im Falle eines *stapling arrangement*.
- 19 Im Oktober 2013 hatte das IFRS IC einen *Outreach Request* hierzu gestartet. Dabei wurde der Sachverhalt wie folgt übermittelt und mit vier Fragen versehen:

IFRS 3.43 states that an acquirer sometimes obtains control of an acquiree in a business combination without transferring consideration, such as in a business combination achieved by contract alone. In IFRS 3.43(c), a stapling arrangement is listed as an example of such a business combination.

The submitter describes a stapling arrangement as a contractual arrangement between two or more entities or their shareholders, typically without the transfer of consideration, whereby the equity securities of the entities in a stapling arrangement are stapled together and the entities each have the same owners. The stapled securities are quoted as a single security and cannot be traded or transferred independently. Generally, a stapling transaction is entered into for tax purposes and in many of these arrangements, no entity in the stapling arrangement has 'control' over the other entities.

The submitter states that even in circumstances in which no entity in the stapling arrangement has 'control' over the other entities, when the stapling occurs, an acquirer should be identified for the purposes of IFRS 3. (See IFRS 3.6 and the definition of 'business combination' in Appendix A of IFRS 3.) This applies even though an 'acquirer' is defined as "the entity that obtains control of the acquiree" (the definition of acquirer in Appendix A of IFRS 3).

On the basis of the above, the submitter asks for clarification on whether an 'acquirer' identified for the purpose of IFRS 3 is a 'parent' for the purpose of IFRS 10 in circumstances in which the business combination is achieved by contract alone, such as a stapling arrangement, with no entity in the business combination having 'control'.

View 1: The 'acquirer' identified under IFRS 3 should be viewed as the 'parent' under IFRS 10

Those who support this view argue that IFRS 3.6 requires one of the combining entities to be identified as the 'acquirer' for the purpose of IFRS 3 even if no combining entity has 'control'. Thus, that same entity would be identified as the 'parent' for the purposes of preparing consolidated financial statements under IFRS 10. In other words, there is no need to apply IFRS 10.7 in circumstances in which an 'acquirer' is identified by using the guidance in IFRS 3.B14-B18.

View 2: The 'acquirer' identified under IFRS 3 is not necessarily the 'parent' under IFRS 10

Those who support this view note that IFRS 10 defines a 'parent' as an entity that controls one or more other entities. It also sets out in para. 7 three criteria for deciding whether an investor 'controls' an investee. They think that 'control' and a 'parent' would need to be identified on the basis of the guidance in IFRS 10. If there is no 'control' as defined in IFRS 10, there would be no 'parent' entity for the purpose of preparing consolidated financial statements under IFRS 10. Consequently there would be no consolidated financial statements that include both staples entities.



Q1: In your jurisdiction, is it common that a business combination is achieved by contract alone, such as by a stapling arrangement or a dual-listed corporation scheme, with no entity having 'control' over the other combining entities as defined in IFRS 10?

Q2: If you answered 'yes' to Q1, what is the prevalent interpretation on whether consolidated financial statements should be prepared for the combined group? If the prevalent view is that they should be prepared, which entity should be a 'parent' for the purpose of preparing consolidated financial statements in accordance with IFRS 10? In addition, if possible, could you please briefly describe the rationale for that prevalent interpretation?

Q3: On the basis of your response to Q2, to what extent do you observe diversity in the interpretation?

Q4: If you answered 'yes' to Q1, is there any regulation or rule in your jurisdiction that addresses financial reporting of the combined entity or of each combining entity on or after the stapling arrangement (or similar contracts), in the situation in which no combining entity has 'control' as defined in IFRS 10 as a consequence of the business combination?

20 Die DRSC-Antwort vom 30. Oktober 2013 hierzu lautete wie folgt:

Zu Q1: No. So far, we have not experienced such transactions being realised (although we had few cases where such transactions were initiated without later realisation).

Zu Q2: From a theoretical perspective, we would expect that if an entity was identified to be the acquirer under IFRS 3, it should also be identified to have control for the purpose of, and under the definition of, IFRS 10. Therefore, it might be preferable to assure that the definitions of "control" in IFRS 3 and IFRS 10, respectively, lead to the same outcome.

Zu Q3+4: No answer.

21 Das IFRS IC hatte daraufhin im Januar 2014 den Sachverhalt erstmals in öffentlicher Sitzung erörtert und vorläufig beschlossen, dass der Sachverhalt mangels existierender (und erwarteter) *diversity in practice* keiner weiteren Erörterung bedarf. Diese vorläufige Entscheidung wurde wie folgt begründet (Auszug aus IFRIC Update 1/2014):

IFRS 3 (as revised in 2008) defines a business combination as "a transaction or other event in which an acquirer obtains control of one or more businesses". In addition, IFRS 3 (rev. 2008) refers to IFRS 10 for the meaning of the term 'control'. IFRS 10 states that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Hence, the IFRS IC observed that an investment is not needed in order for an entity to control another entity.

The definition of a business combination in IFRS 3 (rev. 2008) includes transactions in which an acquirer obtains control of one or more businesses. It also includes transactions that are sometimes referred to as 'true mergers' or 'mergers of equals'. In other words, it includes transactions in which none of the combining entities obtains control of the other combining entities. The IFRS IC discussed a stapling arrangement and noted that if the stapling arrangement combines separate entities and businesses by the unification of ownership and voting interests in the combining entities, then such a transaction is a business combination as defined by IFRS 3 (rev. 2008).



Notwithstanding the fact that IFRS 3 (rev. 2008) includes business combinations in which none of the combining entities obtains control of the other combining entities, the IFRS IC noted that paragraph 6 of the Standard requires that one of the combining entities in a business combination is identified as the acquirer. IFRS 3.B14–B18 (rev. 2008) provide additional guidance for identifying the acquirer if the guidance in IFRS 10 does not clearly indicate which combining entity is the acquirer.

The IFRS IC also noted that IFRS 3.B15(a) provides guidance on identifying the acquirer by assessing the relative voting rights in the combined entity after the combination – this guidance explains that the acquirer is usually the combining entity whose owners as a group receive the largest portion of the voting rights in the combined entity. This guidance is consistent with the IFRS IC’s observation that the definition of a business combination includes transactions in which none of the combining entities or businesses is identified as having control of the other combining entities. The IFRS IC thought that this guidance would be relevant to identifying which of the combining entities is the acquirer in the stapling transaction considered.

The IFRS IC noted that the IASB stated in September 2004 that the intended interaction between IFRS 3 (issued in 2004) and IAS 27 is that an entity that is identified as the ‘acquirer’ of another entity in accordance with IFRS 3 (issued in 2004) is a ‘parent’ for the purposes of IAS 27. The IFRS IC noted that the meaning of the term ‘acquirer’ has not changed since 2004 and that the term ‘control’ is used consistently between IFRS 3 (rev. 2008) and IFRS 10. It also noted that the notion in IFRS 3 (rev. 2008) that a business combination could occur even if none of the combining entities obtains control of the other combining entities has not changed from IFRS 3 (issued in 2004). Accordingly, the IFRS IC observed that the IASB’s statement on the interaction between IFRS 3 (issued in 2004) and IAS 27 remains valid in respect of the interaction between IFRS 3 (rev. 2008) and IFRS 10. Consequently, the IFRS IC observed that the combining entity in the stapling arrangement that is identified as the acquirer for the purpose of IFRS 3 (rev. 2008) should prepare consolidated financial statements of the combined entity in accordance with IFRS 10.

The IFRS IC noted that there is little diversity in practice for the accounting for business combinations achieved by contract alone. It further noted that it does not expect diversity to emerge in the future on the basis of the analysis on the requirements and guidance in IFRS 3 (as revised in 2008) and IFRS 10.

Accordingly, the IFRS IC [decided] not to add this issue to its agenda.

- 22 Der IFRS-FA hatte im Februar 2014 Kenntnis von der vorläufigen Entscheidung des IFRS IC erhalten und vorerst keinen Diskussionsbedarf festgestellt. Zugleich wurde aber vorgeschlagen, den Sachverhalt bei Bedarf im Verlauf der Diskussion beim IFRS IC wieder aufzugreifen.



3.2 AIP 2012-2014 / hier: IAS 19 – *Discount rate: regional market issue*

- 23 Der IFRS-FA hatte ferner die IFRS IC-Diskussion in dessen Sitzung im Mai 2014 zur IAS 19-Frage "*Discount rate: regional market issue*" zur Kenntnis genommen. Diese Diskussion fand im Rahmen der Behandlung des Feedbacks zum IASB-ED/2013/11 *Annual Improvements to IFRSs (2012-2014 cycle)* statt. Hier hatte das IFRS IC die Rückmeldungen zu allen fünf Änderungsvorschlägen erörtert, von denen einer die o.g. IAS 19-Frage betrifft.
- 24 Das IFRS IC hat als Ergebnis seiner Diskussion beschlossen, dem IASB die Finalisierung der Änderung zu IAS 19 mit unverändertem Wortlaut zu empfehlen. Die IFRS IC-Entscheidung wurde wie folgt festgehalten (Auszug aus IFRIC Update 5/2014):

The IFRS IC recommended that the IASB should finalise the proposed amendment to IAS 19.83 as exposed. The proposed amendment clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.

The IFRS IC recommended that the amendment should be applied from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the amendment, with any cumulative catch up adjustment recognised in opening retained earnings.

- 25 Die IAS 19-Änderung wurde wie folgt vorgeschlagen (Auszug aus ED/2013/11):

Tz. 83 The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In ~~countries~~ currencies ~~where~~ for which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

BC1 The IASB was asked to clarify the requirements of IAS 19 *Employee Benefits* to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone). The issue arose because some think that the basket of high quality corporate bonds should be determined at a country level, and not at a currency level, because paragraph 83 of IAS 19 states that in countries in which there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds shall be used.

BC2 The IASB noted that paragraph 83 of IAS 19 states that the currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

BC3 The IASB proposes to amend paragraph 83 of IAS 19 through the Annual Improvements process in order to clarify that the high quality corporate bonds used to estimate the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at a currency level.



- 26 Der IFRS-FA hatte am 14. Februar 2014 eine Stellungnahme zum AIP 2012-2014 abgegeben. Die Anmerkungen zur IAS 19-Änderung lauteten darin wie folgt:

We welcome the intention to amend para. 83 in respect of this specific regional market issue. We also agree with solely amending this particular aspect, while other aspects in the area of discount rate are still under discussion and other amendments might be pending.

However, we deem the proposed amendment of para. 83 not being precise enough in order to avoid diversity in practice. First, a concern arises from different views regarding the origin of the high quality corporate bond (HQCB) used. According to one view, all worldwide available HQCB, denominated in the same currency as the post-employment benefit obligation, have to be considered when determining the discount rate. E.g. in determining the discount rate for a post-employment benefit obligation denominated in EURO, all HQCB available worldwide denominated in EURO are to be considered even those issued by an entity headquartered e.g. in Brazil. According to a different view, if there is a deep market for HQCB in one country (e.g. Germany), only HQCB from that country's entities have to be considered in determining the discount rate. If there is no deep market on the country level, one shall consider HQCB from other countries or a region (e.g. Eurozone). Second, we are not sure whether the understanding of this "currency" principle would apply similarly to government bonds. E.g. if there were no deep market for any HQCB in EURO, hence, the discount rate is to be determined by market yields on government bonds "denominated in that currency", should an entity consider government bonds denominated in EURO in its own country, or in any other country of the Eurozone, or even in any country worldwide? Therefore, we ask the IASB to provide more guidance on how to determine the discount rate.

In addition, we would like to mention that, amongst several other aspects about "discount rate" that need clarification, the quality of the government bonds used should also be discussed in this context. While corporate bonds have to be "high quality", government bonds so far could have a much lower rating, e.g. a "D" rating. We think this warrants clarification.

Generally, we would like to point out that, in our opinion, the objective of the discount rate has to be determined to allow for an adequate interpretation and application of the requirements regarding the discount rate. Therefore we would suggest that the IASB specify the objective of the discount rate in IAS 19.