

Jonathan Faull
Director General, Financial Stability, Financial Services and Capital Markets Union
European Commission
1049 Brussels

17 February 2015

Dear Mr Faull,

Adoption of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

Following the IASB's publication, on 11 September 2014, of the amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ("the Amendments"), the European Commission sent a request on 15 September 2014 to the European Financial Reporting Advisory Group seeking endorsement advice.

In October and November 2014, EFRAG TEG carried out a preliminary technical assessment of the Amendments against the endorsement criteria. During the discussion, EFRAG TEG members identified an internal contradiction between the proposed amendments and existing requirements in IAS 28 *Investments in Associates and Joint Ventures*. EFRAG TEG decided to refer this issue to the IASB on a private basis.

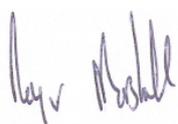
In January 2015, the IASB tentatively decided to correct the internal contradiction identified by EFRAG. More specifically, the IASB decided to:

- (a) include necessary changes to IFRS 10 and IAS 28 within the forthcoming Exposure Draft on *Elimination of gains or losses arising from transactions between an entity and its associate or joint venture* (to be published in the second quarter of 2015); and
- (b) postpone the effective date of the Amendments published in September 2014 in order to align the effective dates of the two sets of amendments.

In the light of the interaction between the published Amendments and the forthcoming Exposure Draft, EFRAG decided, at its February 2015 meeting, to recommend to the European Commission that the endorsement process relating to the Amendments should be postponed until the project on *Elimination of gains or losses arising from transactions between an entity and its associate or joint venture* is completed so that the two amendments are assessed together for endorsement. This is because it would be, in EFRAG's view, both unhelpful and unnecessarily costly to endorse an amendment that is acknowledged as including an internal contradiction.

On behalf of EFRAG, I would be happy to discuss our proposed postponement of the endorsement process in this case with you, other officials of the European Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,



Roger Marshall
Acting President of the EFRAG Board