BUSINESSEUROPE

International Accounting Standards
Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

21 March 2014

Dear Sirs

Re: Exposure Draft Annual Improvements to IFRSs 2012–2014 Cycle (ED/2013/11)

BUSINESSEUROPE appreciates the opportunity to comment on ED/2013/11.We apologise for the delay in submitting this letter.

In general we are supportive of the exposed improvements, however have some comments on the actual drafting, as we believe that the suggested changes are partly falling short of their intention.

With regard to the proposed amendment to IAS 19 *Employee Benefits* we do have more serious concerns, and do not believe that the new wording is sufficiently clear to safeguard a uniform understanding about the appropriate application. We believe that specifically for the usage of government bonds unintended consequences might appear.

Our detailed comments on the questions raised in the proposed amendments are included in the appendix to this letter.

Yours sincerely,

Jérôme P. Chauvin
Deputy Director General

BUSINESSEUROPE

ANNEX TO BUSINESSEUROPE'S LETTER ON ED/2013/11

Proposed amendment to IFRS 7

In principle we support the proposed amendment in connection with servicing contracts, but believe that, considering the term plays a central role in the introduced paragraph B30A, IFRS 7 should clarify what it means by "servicing contracts" and what typically can be understood by "service a financial asset" to avoid unintended consequences. For example, B30A discusses "continuing involvement" in transferred financial assets and states that "the right to earn a fee [...]is generally continuing involvement " ; for it was unclear if such a continuing involvement falls under service a financial asset or if that is a different aspect and what other activities could and should then be considered as well.

In this respect, if continuing involvement is related to a kind of variable service fee based on the creditworthiness, i.e. the successful payment collection which is different from a "collecting only contract " , it should be clearly addressed. However in such a case we would expect a clarification why, if a full derecognition according to IAS 39 for the financial assets sold was appropriate, a continuing involvement could be assumed.

We further support the clarification made in connection with interim financial statements, do however believe that BC7 is drafted overly complex to reflect a rather simple message.

Proposed amendment to IAS 19 *Employee Benefits*

Considering the development of the Eurozone and the overall globalization and development of the capital markets, we understand the reason for the proposed amendment. We support the general interpretation, that the assessment of whether there is a deep market in high quality corporate bonds ("HQCB") should be made at a currency level instead of country level.

However, we recommend specifying more clearly the intended scope of HQCB to be included in the determination of the discount rate as the current wording in the BC might be understood to be somewhat ambiguous. We believe that it should be clear that e.g. for the Eurozone an entity is not required, but is allowed to include euro HQCB from issuers outside the Eurozone, provided that a deep market in the respective currency zone for HQCB exists.

We also believe that the IASB should clarify what the impact of local regulatory restrictions for pension plans to invest only in certain areas might have on the selection of the discount rate, if any.

Furthermore we believe that in case no deep market for HQCB exists it remains unclear what the changed wording implies for the "fall back" solution of government bonds. Does the wording require the usage of "home country" government bonds, as IAS 19.83 does not contain a certain minimum credit quality for government bonds? In our view, such an approach would not be consistent with the stated intention that the discount rate should reflect only the time value of money (IAS 19.84). We thus believe that the current drafting is not helpful.

Overall we believe that the current drafting of IAS 19 with respect to the purpose of discounting and the selection of the appropriate discount rate remains unsatisfactory and are of the opinion that the IASB should address that issue comprehensively, instead of "quick-fixing" the standard, leaving the underlying conceptual issue unaddressed.

Proposed amendment to IAS 34

We believe that the current drafting is not solving the issues raised.

IAS 34.4 defines an interim financial report as a "financial report containing either a complete set of financial statements (...) or as set of condensed financial statements (...) for an interim period." IAS 34.5 then elaborates on the content of an interim financial report. The definition and elaboration would seem to indicate that an interim financial report consists of primary financial statements and notes thereto.

If the above holds true, then the question raised in BC1 cannot be solved by requiring a cross reference to the "other part of the interim financial report", as from the above it is clear that there are no other parts than the primary financial statements and the notes.

We presume that the IASB is aiming at a similar guidance as incorporated in IFRS 7.B6. We therefore would suggest to change the drafting as follows:

"In addition to disclosing significant events and transactions (...) in the notes to its interim financial statements or elsewhere in other statements, such as management commentary, that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time."

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