ASC
ACCOUNTING STANDARDS COUNCIL
SINGAPORE

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Dr Andreas Barckow
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

(By online submission)

Dear Andreas

RESPONSE TO EXPOSURE DRAFT ON DISCLOSURE REQUIREMENTS IN IFRS STANDARDS—A PILOT APPROACH

The Singapore Accounting Standards Council welcomes the opportunity to comment on the Exposure Draft on *Disclosure Requirements in IFRS Standards—A Pilot Approach* (the ED) issued by the International Accounting Standards Board (the IASB or the Board) in March 2021.

We appreciate the IASB's efforts to bring about improvements in the quality of disclosures in financial statements. In particular, we support the objective of the *Disclosure Initiative—Targeted Standards-level Review of Disclosures* project to improve how the IASB develops and drafts disclosure requirements in IFRS Standards, so that entities applying those requirements can provide more useful information to users of financial statements (users). The ED represents a good opportunity to address aspects of the disclosure problem, and to ensure consistency in developing and drafting disclosure requirements across IFRS Standards.

Our comments on the questions in the ED, other than those relating to the proposed amendments to IAS 19 *Employee Benefits*, are set out below. We have not provided comments on the proposed amendments to IAS 19 as defined benefit plans are not common in Singapore entities.

Question 1—Using overall disclosure objectives
Paragraphs DG5–DG7 of this Exposure Draft explain how the Board proposes to use overall disclosure objectives in future. (a) Do you agree that the Board should use overall disclosure objectives within IFRS

Standards in future? Why or why not?

(b) Do you agree that overall disclosure objectives would help entities, auditors and regulators determine whether information provided in the notes meets overall user information needs? Why or why not?

Question 2—Using specific disclosure objectives and the disclosure problem

Paragraphs DG8–DG10 of this Exposure Draft explain how the Board proposes to use specific disclosure objectives in future.

(a) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would help entities apply judgements effectively when preparing their financial statements to:

(i) Provide relevant information;

(ii) Eliminate irrelevant information; and

(iii) Communicate information more effectively?

Why or why not? If not, what alternative approach would you suggest and why?

(b) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would provide a sufficient basis for auditors and regulators to determine whether an entity has applied judgements effectively when preparing their financial statements? Why or why not?

Question 3—Increased application of judgement

Paragraphs DG2–DG3 and DG8–DG13 of this Exposure Draft explain why, in future, the Board proposes to:

(a) Use prescriptive language to require an entity to comply with the disclosure objectives.

(b) Typically use less prescriptive language when referring to items of information to meet specific disclosure objectives. An entity, therefore, would need to apply judgement to determine the information to disclose in its circumstances.

This approach is intended to shift the focus from applying disclosure requirements like a checklist to determining whether disclosure objectives have been satisfied in the entity's own circumstances. Paragraphs BC188–BC191 of the Basis for Conclusions describe the likely effects of this approach on the behaviour of entities, auditors and regulators towards disclosures in financial statements. Paragraphs BC192–BC212 of the Basis for Conclusions describe the likely effects of this approach on the quality of financial reporting, including the cost consequences of the approach.

(a) Do you agree with this approach? Why or why not? If not, what alternative approach do you suggest and why?

(b) Do you agree that this approach would be effective in discouraging the use of disclosure requirements in IFRS Standards like a checklist? Why or why not?

(c) Do you agree that this approach would be effective in helping to address the disclosure problem? For example, would the approach help entities provide decision-useful information in financial statements? Why or why not?

(d) Do you agree that this approach would be operational and enforceable in practice? Why or why not?

(e) Do you have any comments on the cost of this approach, both in the first year of application and in subsequent years? Please explain the nature of any expected incremental costs, for example, changes to the systems that entities use to produce disclosures in financial statements, additional resources needed to support the increased application of judgement, additional audit costs, costs for users in analysing information, or changes for electronic reporting.

Question 4—Describing items of information to promote the use of judgement
The Board proposes to use the following less prescriptive language when identifying items of information: 'While not mandatory, the following information may enable an entity to meet the disclosure objective'. Paragraph BC19–BC26 of the Basis for Conclusions describe the Board's reasons for this language and alternative options that the Board considered. Do you agree that the proposed language is worded in a way that makes it clear that entities need to apply judgement to determine how to meet the specific disclosure objective? If not, what alternative language would you suggest and why?

Disclosure objectives and explanations supporting those objectives

We welcome the proposed changes to the IASB's process for developing disclosure requirements set out in paragraphs BC31–BC56 of the Basis for Conclusions on the ED (the BC), in particular, the proposal to work more closely with users and other stakeholders early in the standard-setting process to understand what users want in financial statements and how the information is intended to be used by them. We consider that this would promote informed discussions during the development of disclosure requirements and provide a better basis for the IASB to determine what disclosure is necessary to satisfy user information needs.

We also support the proposed inclusion in IFRS Standards of well-defined disclosure objectives that clearly describe user information needs and explanations that clearly articulate how the information provided to meet those objectives is intended to be used by users, which would be developed under the proposed process.

Although paragraph 31 of IAS 1 *Presentation of Financial Statements* already requires entities to apply the overarching concept of materiality to disclosures, the lack of understanding of user information needs may prevent preparers from applying materiality judgement effectively. Enabling preparers to better understand the user needs that the disclosed information is intended to satisfy would therefore provide a useful context for preparers to make more effective judgements about which information to disclose in, and exclude from, financial statements, and whether additional disclosures beyond those required by the Standards should be made. It would also promote healthy discussions between preparers, auditors and regulators on the information disclosed in financial statements. The outcome is that it could lead to improved disclosures in financial statements.

Replacement of lists of specific disclosure requirements with disclosure objectives

Notwithstanding our support of the disclosure objectives, we are not inclined to support the proposed use of disclosure objectives to replace the lists of specific disclosure requirements. Whilst we appreciate the IASB's rationale for, and the merits of, such an approach, we are concerned that it would inject additional significant judgements into the disclosure process. This would in turn give rise to the following issues which not only would not help to address, but could exacerbate, the disclosure problem.

In this regard, we note that some of our concerns were also expressed by three IASB members who voted against the publication of the ED as set out under 'Alternative View' in the ED.

<u>Preparer burden and increase reliance on judgement</u>

The change in emphasis to requiring the satisfaction of disclosure objectives and removing the requirement to disclose specific items would require preparers to determine the information that would meet the needs of users, and to determine and justify that they have satisfied the stated objectives.

We note that this change in emphasis would require significant judgements from preparers and increase application challenges considering the following: there are many different types of users; users may have different level of knowledge as well as different, and possibly, conflicting information needs and desires; users' perspectives may differ from those of preparers; and user needs are not static and can evolve over time.

Moreover, the proposed disclosure objectives as drafted could be interpreted as requiring entities to meet all user information needs, rather than the common information needs of users. They could also subject entities to demands for information that has yet to be considered by the IASB through periodic review of the Standards, given the dynamic nature of user information needs over time.

We are therefore concerned that the proposed approach could place undue burden on preparers.

More importantly, for the proposed approach to achieve its desired outcome of more relevant and less irrelevant disclosures, it is absolutely critical that preparers apply judgement appropriately. Although we acknowledge that the exercise of judgement is inherent in principle-based standards, we are concerned that by increasing the reliance on judgement, and at an increased level, the proposed approach could exacerbate, rather than help to address, the disclosure problem. This is because the poor application of judgement was frequently cited as the root cause of the disclosure problem.

In this regard, we consider that the IASB is best placed to determine the common information needs of a variety of users. Therefore, the IASB should use feedback about user information needs gathered through the process proposed in the ED to develop, for each disclosure objective, specific disclosure requirements that will meet the common information needs of users, and require preparers to provide those disclosures when they are material.

<u>Preparer behaviour</u>

Instead of specifying particular items that are required to be disclosed to meet a disclosure objective, the proposed approach would provide, in most cases, only a non-mandatory list of items of information that may enable a preparer to meet the disclosure objective.

We are concerned that this could lead to particular behaviours from preparers which would not be helpful in addressing the disclosure problem.

Specifically, some stakeholders told us that there is a general tendency for preparers to not provide particular disclosures, if those disclosures are not specifically required by IFRS Standards. This is the case even if the information is material to an entity's financial statements. Therefore, under the proposed approach, some preparers may disclose as little as possible of the non-mandatory items of information, particularly if the information is deemed commercially sensitive or perceived to be disadvantageous to an entity.

On the other hand, some preparers may use the non-mandatory list as the new checklist and include all the non-mandatory items of information in their financial statements for a variety of reasons, including those that contributed to the current checklist approach—e.g. to err on the side of caution, because of resource limitations, because of the significant level of judgement that would otherwise be needed, etc. Indeed, we note that preparers may have more motivations to adopt a checklist approach under an objective-based disclosure regime as such a regime would impose additional significant judgements on them. This new checklist approach may also be adopted by some auditors and regulators. In this regard, we note that changing how IFRS Standards are written would not, in itself, eliminate the checklist approach.

The aforesaid behaviours would perpetuate, if not exacerbate, the disclosure problem.

<u>Audit and enforcement challenges</u>

The proposed approach would change the focus of disclosure requirements, and consequently the enforcement of those requirements, to meeting a disclosure objective and satisfying the related user information needs.

We believe that such a change in focus would make audit and enforcement more challenging for auditors and regulators. Auditors and regulators can currently scrutinise whether an entity has disclosed specific items required by IFRS Standards that are material to the entity's financial statements. However, under the proposed approach, auditors and regulators would have to assess whether an entity has met the disclosure objectives and base their audit and enforcement on that assessment. It would be more difficult for auditors and regulators to challenge the extent of disclosures, if the disclosures are not specifically required by the Standards, unless the judgement made by the preparer is clearly unreasonable.

We are therefore concerned that audit and enforcement challenges could result in an overall reduction in the quality and usefulness of information disclosed in financial statements.

Comparability of financial statements

Under the proposed approach, different preparers, auditors and regulators may make different judgements and reach different conclusions about the information to be disclosed to satisfy a disclosure objective.

Therefore, compared with the existing approach in which the IASB determines the specific disclosures that would meet user information needs and requires all preparers to provide those disclosures when they are material, the proposed approach could impair comparability of financial statements across entities, particularly internationally, thereby reducing the usefulness of information for users. It could also increase costs for users by necessitating additional analysis when they seek to compare the financial statements of different entities.

Moreover, the potential divergence in practice across jurisdictions could be particularly challenging for entities with cross-border reporting as such entities could be required to comply with different interpretations of the same disclosure objective.

Our suggested way forward

To address our above concerns, we recommend that the IASB maintains the existing approach of placing the compliance requirement on specific disclosure items, but supplementing it with well-defined disclosure objectives and clear explanations to provide context for the application of judgement in determining the necessary disclosures, rather than as compliance objectives. Those disclosure objectives, explanations and specific disclosure items would be developed under the process proposed in the ED.

Our preferred approach would not only avoid many of the aforesaid issues that would arise under the IASB's proposed approach, but also allow preparers and auditors to make better judgements about the required disclosures, by enabling them to better understand user information needs.

Whilst we acknowledge that placing compliance requirements on specific disclosure items can contribute to the disclosure of irrelevant information by encouraging the checklist approach, we are of the view that the lists of specific disclosure items have their benefits when applied in an appropriate manner and as intended by all relevant stakeholders. Specifically, by providing a common understanding of what disclosure is required, they would facilitate discussions between preparers, auditors and regulators, and can reduce the risk of material information being omitted from financial statements. In other words, when used appropriately, a checklist can be an efficient and cost-effective tool to improve the quality and comparability of disclosures. Besides, as noted above, the checklist approach can also perpetuate under the IASB's proposed approach.

Question 5—Other comments on the proposed Guidance
Paragraphs BC27–BC56 of the Basis for Conclusions describe other aspects of how the Board proposes to develop disclosure requirements in IFRS Standards in future applying the proposed Guidance. Paragraphs BC188–BC212 of the Basis for Conclusions explain the expected effects of any disclosure requirements developed using the proposed Guidance. Do you have any other comments on these aspects? Please indicate the specific paragraphs or group of paragraphs to which your comments relate (if applicable).

We recommend that the IASB considers the following matters, in addition to our above concerns, before making any decisions on the ED proposals.

<u>Impact of technology and digital reporting</u>

In tandem with technological advancements in the modern economy, there are expected changes to how users would locate, extract, analyse and compare information and how entities would prepare, present and communicate information.

Such changes could have implications on the trade-off between entity-specific information and comparable information, with the former generally being viewed as less technology friendly. Those changes could also reduce the pressure on improving certain aspects of disclosure effectiveness, such as the volume of irrelevant disclosures.

Therefore, the IASB should include a broader consideration of the implications of technology, in particular the increasing prevalence of digital reporting, on how disclosure requirements in IFRS Standards should be written. In this regard, we think that the proposed objective-based disclosure approach would be less compatible with an environment in which information is consumed electronically.

<u>Field tests</u>

The IASB should consider conducting field tests involving entities, auditors and regulators of different sizes across different industries and/or jurisdictions to obtain evidence of whether the proposed objective-based disclosure approach would be operational in practice and whether the ensuing information provided would be useful to users. This would ensure that the proposed approach would provide the intended benefits that justify the related costs.

Nonetheless, should the IASB decide to finalise the ED proposals, we believe it is important for the IASB to provide sufficient implementation lead time for entities to transition to the new objective-based disclosure regime, and to consider providing reliefs from comparative information. This is because the new disclosure regime would introduce a radical change from the existing requirements and could require entities to disclose different or new information.

Question 6—Overall disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition
Paragraphs BC62–BC73 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition. Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? If not, what alternative objective do you suggest and why?

Question 7—Specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition
Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, and discuss approaches that the Board considered but rejected. (a) Do you agree that the proposed specific disclosure objectives capture detailed user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? Why or why not? If not, what changes do you suggest? (b) Do you agree that the proposed specific disclosure objectives would result in the provision of information about material fair value measurements and the elimination of information about immaterial fair value measurements in financial statements? Why or why not? (c) Do you agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them? Why or why not? If you disagree, how should the objectives be changed so that the benefits justify the costs? Please indicate the specific disclosure objective(s) to which your comments relate. (d) Do you have any other comments on the proposed specific disclosure objectives? Please indicate the specific disclosure objective(s) to which your comments relate.

Question 8—Information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition
Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the items of information to meet the specific disclosure objectives about assets

and liabilities measured at fair value in the statement of financial position after initial recognition, and discuss information that the Board considered but decided not to include.

(a) Do you agree that entities should be required to disclose the proposed items of information in paragraphs 105, 109 and 116 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?

(b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?

Question 9—Specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes

Paragraphs BC98–BC99 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.

(a) Do you agree that the proposed specific disclosure objective captures detailed user information needs about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes? Why or why not? If not, what changes do you suggest?

(b) Do you agree that this proposed specific disclosure objective would result in the provision of useful information about assets and liabilities not measured at fair value but for which fair value is disclosed in the notes? Why or why not?

(c) Do you agree that the benefits of the specific disclosure objective would justify the costs of satisfying it? Why or why not? If you disagree, how should the objective be changed so that the benefits justify the costs?

(d) Do you have any other comments about the proposed specific disclosure objective?

Question 10—Information to meet the specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes

Paragraph BC100 of the Basis for Conclusions describes the Board's reasons for proposing the items of information to meet the specific disclosure objective about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.

(a) Do you agree that entities should be required to disclose the proposed items of information in paragraph 120 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet

the specific disclosure objective? (b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet the specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?

Question 11—Other comments on the proposed amendments to IFRS 13
Do you have any other comments on the proposed amendments to IFRS 13 in this Exposure Draft, including the analysis of the effects (paragraphs BC214–BC215 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft?

We note that the IASB concluded in 2018 that IFRS 13 *Fair Value Measurement* is working as intended, based on its post-implementation review (PIR) of the Standard. In particular, the IASB concluded that the information required by IFRS 13 is useful to users, although some potential improvements were identified.

Therefore, we believe that the IASB should critically assess whether a radical change to the disclosure requirements in IFRS 13 is warranted, or whether targeted improvements to IFRS 13 to address particular stakeholders' feedback, such as to require disclosures of specific information about some Level 2 fair value measurements (which the IASB did not require in developing IFRS 13), would be more appropriate, particularly in the light of our concerns about the proposed objective-based disclosure approach.

Nonetheless, we have provided our comments on some aspects of the proposed amendments to IFRS 13 below. Our comments should be read in the light of our responses to Question 1–5, in particular, our disagreement with the proposed use of disclosure objectives to replace the lists of specific disclosure requirements.

Disclosure objectives and explanations supporting those objectives

We are broadly supportive of the proposed disclosure objectives and explanations supporting those objectives, on the basis of the IASB's rationale described in the BC.

Those objectives and explanations provide a good starting point from which the IASB could enhance the disclosure requirements in IFRS 13 to help preparers make more effective judgements about the information to disclose in financial statements relating to fair value measurements, and to promote informed discussions between preparers, auditors and regulators on those disclosures.

Items of information

We note that most of the proposed mandatory and non-mandatory items of information are broadly similar to the existing requirements in IFRS 13. Given the findings from the PIR of IFRS 13, we are generally supportive of those items of information. That said, because of such similarities, there is a risk that the proposed amendments may not lead to the IASB's desired disclosure outcome as entities could simply carry forward their existing disclosures with minimal changes.

New disclosure items

Subject to our comments below, we are broadly supportive of the proposed new disclosure items.

Reasonably possible alternative fair value measurements

The proposed disclosure around reasonably possible alternative fair value measurements appears to be more aligned with users' underlying need, which is to assess measurement uncertainty associated with fair value measurements at the reporting date, rather than the existing qualitative and quantitative sensitivity analysis disclosures in IFRS 13.

That said, we note that the IASB had proposed a similar disclosure for Level 3 fair value measurements in its 2010 Exposure Draft on *Measurement Uncertainty Analysis Disclosure for Fair Value Measurements*, but decided not to require such a disclosure at that time taking into account feedback from preparers that the costs associated with preparing the disclosure would outweigh the benefits to users once the information had been aggregated by class of asset or liability. We further understand that the inclusion of non-Level 3 fair value measurements in the proposed disclosure could result in significant burden on entities, such as financial entities that have many financial instruments which are categorised within Level 2. There are also concerns that the proposed disclosure could undermine the legitimacy of fair value measurements reported in financial statements, particularly if the range of alternative fair value measurements is wide.

Therefore, depending on the feedback received on the ED, the IASB may need to perform additional cost-benefit analysis before finalising the proposed disclosure and its associated specific disclosure objective.

Reasons for changes in fair value measurements

In respect of the proposal to provide an explanation of the significant reasons for changes in recurring non-Level 3 fair value measurements, we think that other than for fair value measurements that are categorised within Level 2 but for which the categorisation is close to Level 3, the information value of some of the reasons for changes, e.g. purchases, sales, issues, settlements, may not outweigh the cost of tracking those changes.

Therefore, we recommend that the IASB considers requiring disclosures of specific changes that are useful for users' understanding of an entity's exposure to uncertainties associated with fair value measurements, such as the amount of transfers into and out of the level of the fair value hierarchy, instead of all significant reasons for changes.

Disclosure items in IFRS 13 not carried forward

We believe that the following disclosures in IFRS 13 for items not measured at fair value but for which fair value is disclosed would be useful to users in the case of an investment property:

(1) Description of the valuation techniques and inputs used.

(2) Description of a change in the valuation technique and the reason(s) for the change.

(3) Explanation of why the highest and best use of the asset differs from its current use.

We note that the proposed amendments would continue to require such disclosures for an otherwise identical investment property that an entity elects to measure at fair value. We think that such disclosures should not depend on whether an entity elects to measure an investment property using the fair value model or the cost model, an accounting policy choice permitted by IAS 40 *Investment Property*. Moreover, an investment property can be held for capital appreciation only or both to earn rentals and for capital appreciation, even if measured using the cost model. In such cases, information about fair value, including how fair value is determined, would be relevant to users.

Therefore, we recommend retaining the aforesaid disclosure items.

Other comments

We believe that as drafted, the proposed amendments to IFRS 13 may not be sufficiently clear or may lead to some confusion as to what is required, which risk giving rise to different interpretations if finalised in their current form. For example:

(1) The purpose of the overall disclosure objective, which is to require additional information to be disclosed if there are any material uncertainties associated with fair value measurements that have not been captured by applying the specific disclosure objectives as described in paragraph BC63 of the BC, may not be clear from the proposed amendments. Specifically, some entities may perceive that by meeting the specific disclosure objectives, the overall disclosure objective would be met.

    We believe that individual Standards should be sufficiently clear about what is required, and that stakeholders should not be required to refer to other sources of information, particularly non-mandatory sources, such as the proposed Guidance or the BC, to obtain such an understanding.

(2) Paragraph 103 states that '… an entity *shall* disclose information that enables users to understand the amount, *nature and other characteristics* of each class of assets and liabilities…, and how the characteristics relate to their categorisation in the fair value hierarchy'. Yet, paragraph 106(a) identifies 'a description of the *nature, risks and other characteristics* of the classes of assets and liabilities' as a non-mandatory item of information.

    Although we appreciate that the above drafting reflects the IASB's intention of requiring entities to apply judgement by avoiding reference to levels of the fair value hierarchy in the specific disclosure objectives and items of information, it could nonetheless lead to confusion as to whether information about the characteristics of assets and liabilities is mandatory or non-mandatory. This observation similarly applies to the other specific disclosure objectives and their associated non-mandatory items of information.

(3) Paragraph 114 states that '… an entity shall disclose information that enables users to understand the *significant reasons for changes in the fair value measurements* of each class of assets and liabilities…'; and:

(a) Paragraph 116 mandates 'a tabular reconciliation from opening to closing balances of the significant reasons for changes for Level 3 fair value measurements', whilst paragraph 117(a) identifies 'an explanation of the significant reasons for changes for fair value measurements categorised outside Level 3' as a non-mandatory item of information.

As drafted, the above paragraphs could be interpreted as requiring an entity to provide the disclosures in paragraph 116 for 'material' Level 3 fair value measurements, and in paragraph 117(a) for 'material' Level 1 and Level 2 fair value measurements. If so, it is not clear why paragraph 116 is *mandatory* for material Level 3 fair value measurements whilst paragraph 117(a) is *non-mandatory* for material Level 1 and Level 2 fair value measurements. If something other than materiality is necessary to trigger the latter disclosure, we believe it is not apparent from the specific disclosure objective described in paragraph 114.

On the other hand, we note that paragraph BC96 of the BC broadly explains that '…the Board noted that information about significant reasons for changes in the amounts of fair value measurements categorised outside Level 3 is likely to be necessary to meet the specific disclosure objective if it describes any *material fair value measurements that are categorised within Level 2 but for which the categorisation is close to Level 3*'. If the IASB's intention is for paragraph 117(a) to apply only to those material fair value measurements described in italics, we believe that the intention is not clearly communicated in the aforesaid paragraphs.

(b) Paragraphs 117(b) identifies 'the reasons for transfers between levels of the fair value hierarchy during the reporting period' as a non-mandatory item of information.

As drafted, the above disclosure appears to be required when transfers are *material* during the reporting period regardless of which level in the fair value hierarchy those transfers relate to. If so, it begs the question of why that disclosure is included in the non-mandatory list vis-à-vis other items on the mandatory list of which disclosure likewise do not depend on the level of categorisation in the fair value hierarchy and factors other than materiality, for example, the proposed disclosure in paragraph 109 relating to the accounting policy decision to use the measurement exception in paragraph 48 of IFRS 13.

It is therefore not clear what drives the differentiation between mandatory and non-mandatory items of information in the proposed amendments, which could impede the proper application of the proposed amendments.

The above examples are not comprehensive and are provided to illustrate some of the issues associated with the objective-based disclosure approach proposed by the IASB.

We hope that our comments will contribute to the IASB's deliberation on the ED. Should you require any further clarification, please contact our project managers Yat Hwa Guan at Guan_Yat_Hwa@asc.gov.sg and Junwei Quek at Quek_Junwei@asc.gov.sg.

Yours faithfully

Suat Cheng Goh
Technical Director
Singapore Accounting Standards Council