ACRA
ACCOUNTING AND CORPORATE REGULATORY AUTHORITY

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(By online submission)

Dear Andreas

RESPONSE TO EXPOSURE DRAFT ON AMENDMENTS TO IFRS 19 SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: DISCLOSURES

The Singapore Accounting Standards Committee (ASC), under the Accounting and Corporate Regulatory Authority (ACRA), welcomes the opportunity to comment on the Exposure Draft on *Amendments to IFRS 19* Subsidiaries without Public Accountability: Disclosures (the ED) issued by the International Accounting Standards Board (the IASB) in July 2024.

We appreciate the IASB's efforts in continuing to develop reduced disclosure requirements for subsidiaries without public accountability. IFRS 19 has the potential to eliminate unnecessary costs for those subsidiaries in preparing financial statements whilst maintaining information needed by users of their financial statements (users).

We are generally supportive of the proposals set out in the ED but have specific comments on certain aspects. Our comments are as described below.

Question 1—Presentation and disclosure in financial statements (proposed amendments to paragraphs 137, 142–159 and 163 of IFRS 19, paragraph A3 in Appendix A of IFRS 19 and paragraph B8 of Appendix B of IFRS 19)

The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to IFRS 18. The only substantial change proposed is to remove from IFRS 19 the requirements relating to management-defined performance measures. Instead, an eligible subsidiary that uses management-defined performance measures as defined in IFRS 18 would be required to apply the related disclosure requirements in IFRS 18. The IASB is also proposing to remove the disclosure objective in paragraph 137 of IFRS 19 relating to non-current liabilities with covenants.

Paragraphs BC6–BC13 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal.

Do you agree with the proposal to remove from IFRS 19 the requirements for management-defined performance measures and to require an eligible subsidiary to disclose information about these measures if it uses them? If you disagree with this proposal, please explain your reasons.

Are there any other disclosure requirements in IFRS 18 that, in your view, are not applicable to eligible subsidiaries and should therefore be removed from IFRS 19? If so, please specify the disclosure requirements and explain your reasons.

Do you agree that following the removal of the disclosure objective in paragraph 137 of IFRS 19, the remaining requirements relating to non-current liabilities with covenants are sufficient and clear?

We agree with the IASB's decision to remove from IFRS 19 the requirements pertaining to management-defined performance measures (MPMs) and to require an eligible subsidiary using MPMs, as defined in IFRS 18 *Presentation and Disclosure in Financial Statements*, to refer to and apply the related disclosure requirements in IFRS 18. We are of the view that most subsidiaries without public accountability would not use MPMs, therefore retaining paragraphs 142 to 159 of IFRS 19 relating to MPMs would add significant length to the standard without much benefit overall. Additionally, we concur with the removal of the disclosure objective in paragraph 137 of IFRS 19 as the specific disclosures required by that paragraph would provide sufficient information about an eligible subsidiary's short-term cash flows in relation to non-current liabilities with covenants.

Question 2—Supplier finance arrangements (proposed amendments to paragraphs 167–168 of IFRS 19)

The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to supplier finance arrangements, with some amendments.

The IASB proposes to delete the disclosure objective previously included in paragraph 167 of IFRS 19, consistent with its decision not to include disclosure objectives in IFRS 19. It also proposes:

(a) To add a new paragraph, paragraph 167A, which would include the description of supplier finance arrangements from paragraph 44G of IAS 7; and

(b) To amend paragraph 168 of IFRS 19 to remove the reference to the disclosure objective.

Paragraphs BC14–BC17 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for these proposals.

Do you agree that including explanatory text in paragraph 167A would be helpful to eligible subsidiaries that elect to apply IFRS 19? Please explain your reasons.

The information to be disclosed under the disclosure requirements in IFRS 19 relating to supplier finance arrangements would be necessary to meet the needs of users given that the main effect of supplier finance arrangements would be on short-term cash flows, one of the principles for developing disclosure requirements in the standard. Accordingly, we are supportive of the IASB's proposals to retain these disclosure requirements in IFRS 19 and remove the disclosure objective.

However, we suggest that the IASB reconsiders its proposal to add a new paragraph in IFRS 19 that provides the description of supplier finance arrangements from paragraph 44G of IAS *7 Statement of Cash Flows*. While we can appreciate the IASB's intention to provide context to the relevant disclosure requirements, we view that IFRS 19, being a standalone standard for reduced disclosure requirements, should not reproduce descriptions or definitions of terms from other IFRS Accounting Standards. This is generally the case for other IFRS Accounting Standards in IFRS 19, for example, 'share-based payment arrangements' in IFRS 2 *Share-based Payment* and 'business combination' in IFRS 3 *Business Combinations*. This is also the case for other terms that are defined in IAS 7 and used in IFRS 19, specifically 'investing activities', 'financing activities', and 'cash and cash equivalents'. Therefore, our view is that adding the description of supplier finance arrangements is not necessary and could result in inconsistency in the manner how terms or descriptions are used within IFRS 19.

Question 3—International tax reform—Pillar Two model rules (proposed amendments to paragraphs 198–199 of IFRS 19)

The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to the amendments to IAS 12 that introduced:

(a) A temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and

(b) Targeted disclosure requirements for affected entities.

The only proposed change is to remove paragraph 198 of IFRS 19 and the reference to a disclosure objective in paragraph 199 of IFRS 19.

Paragraphs BC18–BC21 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal. Do you agree that following the removal of reference to the disclosure objective, the disclosure requirements in paragraphs 196–199 of IFRS 19 are sufficient and clear? Please explain your reasons.

We are supportive of the proposals on the basis of the IASB's rationale. Moreover, we consider that requiring an entity applying IFRS 19 to disclose that it has applied the exception to the accounting for deferred taxes would provide the necessary transparency to users, as the entity would otherwise have to comply with the relevant requirements in IAS 12 *Income Taxes* in the absence of this exception.

Question 4—Lack of exchangeability (proposed amendments to paragraphs 221–223 of IFRS 19)
The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to the amendments for lack of exchangeability issued in August 2023. The IASB amended IAS 21 to require an entity to apply a consistent approach: (a) To assessing whether a currency is exchangeable into another currency; and (b) To determining the exchange rate to use and the disclosures to provide if a currency is not exchangeable. The only proposed change is to remove from IFRS 19 the disclosure objective and the reference to the amount of detail necessary to satisfy that objective. Paragraphs BC22–BC26 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal. Do you agree that following the removal of reference to the disclosure objective, the disclosure requirements in paragraphs 221–223 of IFRS 19 are sufficient and clear? Are there any other disclosure requirements that should be removed from IFRS 19? Please explain your reasons.

We agree with the IASB that, applying the principles for developing disclosure requirements for IFRS 19, the disclosures resulting from the amendments for lack of exchangeability would provide information of interest to users and should therefore not be reduced other than for the disclosure objective.

Question 5—Financial instruments classification and measurement (no changes proposed)
Paragraphs 56A–56D of IFRS 19 were added due to *Amendments to the Classification and Measurement of Financial Instruments* issued in May 2024. The paragraphs contain disclosure requirements relating to the effect of contractual terms

that could change the amount of contractual cash flows as a result of a contingent event that does not directly relate to basic lending risks and costs (such as the time value of money or credit risk).

The amendments to IFRS 19 were made without reducing the disclosure requirements. Having considered the amendments, the IASB proposes not to reduce the disclosure requirements because they provide users of eligible subsidiaries' financial statements with information about short-term cash flows and obligations, as well as solvency and liquidity.

Paragraphs BC27–BC31 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal.

Do you have comments or suggestions on the proposal not to reduce the disclosure requirements introduced by the amendments to IFRS 7 issued in May 2024? Please explain your reasons.

We agree with the IASB's proposal not to reduce the requirements to disclose information about contractual terms that could change the amount of contractual cash flows of financial assets and financial liabilities as a result of a contingent event not directly related to basis lending risks and costs. Such information about short-term cash flows and obligations, as well as solvency and liquidity, would be useful for users, especially since the growth of sustainable finance has greatly accelerated the use of financial instruments with contingent features linked to environmental, social and governance (ESG) targets.

Question 6—Regulatory assets and regulatory liabilities

An entity that applies IFRS 19 and the prospective RARL Standard will be required to apply the disclosure requirements in the prospective RARL Standard. The IASB is proposing to remove the disclosure requirements relating to IFRS 14, which were included in IFRS 19, when the prospective RARL Standard is issued and to amend paragraph 4(b) of IFRS 19 such that the disclosure requirements in the prospective RARL Standard remain applicable. These changes would be consequential amendments in the prospective RARL Standard.

Table 1 describes the disclosure requirements the IASB has tentatively decided to include in the prospective RARL Standard. Eligible subsidiaries with regulatory assets and regulatory liabilities would be required to apply all these requirements if IFRS 19 were not amended to reduce the disclosure requirements. Table 1 also illustrates which requirements might be reduced if the IASB were instead to apply its principles for developing reduced disclosure requirements for entities applying IFRS 19.

This Exposure Draft proposes no reductions in disclosure requirements relating to regulatory assets and regulatory liabilities at this stage.

Paragraphs BC32–BC37 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for these proposals.

Are you aware of entities that have regulatory assets and regulatory liabilities within the scope of the IASB's project on rate-regulated activities that would be eligible to apply IFRS 19? Do you agree that an entity applying IFRS 19 and the prospective RARL Standard should be required to apply all the disclosure requirements in the prospective RARL Standard illustrated in Table 1? If you disagree, please suggest the disclosure requirements in Table 1 that an eligible subsidiary applying IFRS 19 should not be required to apply. Please explain your reasons.

One of the reasons behind the IASB proposal, specifically how delaying any proposed reduced disclosures would have several benefits, appears to mirror the reasons in paragraph BC83(a)–(b) of the Basis for Conclusions on IFRS 19 for not including reduced disclosure requirements for IFRS 17 *Insurance Contracts*. We suggest that the IASB clarifies whether considering reduced disclosure requirements only after entities have applied a new IFRS Accounting Standard for some time would be the IASB's approach going forward as it seems to contradict the IASB's agreed approach to the maintenance of IFRS 19 in paragraph BC3 of the Basis for Conclusions on this ED.

That said, on the basis of the IASB's rationale that there is limited potential for reducing the disclosure requirements and the corresponding costs of preparing the disclosures, we support the proposal that, at this stage, an entity applying both IFRS 19 and the prospective RARL Standard will have to apply all the disclosure requirements in the prospective RARL Standard. We also agree with the IASB's proposal to amend paragraph 4(b) of IFRS 19 such that an eligible subsidiary applying IFRS 19 refers to and applies the disclosure requirements of the prospective RARL Standard instead of including in IFRS 19 the disclosure requirements in the prospective RARL Standard as this would add significant length to IFRS 19 without much benefit overall.

Notwithstanding the above, if the IASB decides to reduce the disclosure requirements, we disagree with the suggested removal of the disclosure requirement in row 11 of Table 1 in the ED, namely the requirement for an entity to disclose:

(a) The nature of unrecognised regulatory assets and unrecognised regulatory liabilities;

(b) The regulatory approach (nominal or real) used by the regulator to compensate the entity for inflation; and

(c) A statement of whether it receives regulatory returns on an asset not yet available for use if the entity's regulatory capital base has a direct relationship with its property, plant and equipment and the entity capitalises its borrowing costs.

Although it was stated in the March 2024 staff paper 9B that these disclosure requirements do not satisfy any of the principles for developing disclosure requirements in IFRS 19, we are of the view that they could provide information about

commitment, contingencies as well as measurement uncertainty, and should therefore be retained.

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@acra.gov.sg and Eddie Lim at Eddie_Lim@acra.gov.sg.

Yours sincerely

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For and on behalf of Accounting Standards Committee
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