

FEEDBACK STATEMENT

IASB Exposure Draft ED/2021/4
Lack of Exchangeability

23 August 2021

The UK Endorsement Board (UKEB) fulfills the statutory functions of influencing the development of and subsequently adopting International Accounting Standards for use in the UK. This feedback statement forms part of those influencing activities.

The views expressed by the UKEB in this feedback statement are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment of new or amended International Accounting Standards.

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Purpose of this feedback statement

This feedback statement presents the views of UK stakeholders received during the UKEB's outreach activities on the IASB's Exposure Draft *Lack of Exchangeability* and explains how the UKEB's comment letter addressed those views.



Overview

IAS 21 *The Effects of Changes in Foreign Exchange Rates* sets out the exchange rate a company uses when it reports foreign currency transactions, or a foreign operation's results, in a different currency.

However, IAS 21 does not set out the exchange rate to use when there is no observable exchange rate the company can use—such as when a currency cannot be converted into a foreign currency.

In April 2021 the IASB published Exposure Draft ED/2021/4 *Lack of Exchangeability*. It sets out to improve the usefulness of the information provided to users of financial statements by making amendments to IAS 21 that require a consistent approach to:

- determining whether a currency is exchangeable into another currency;
- determining the exchange rate to use when it is not; and
- disclosures provided in such circumstances.

The UKEB published its final response on 1 September 2021.

In developing its response the UKEB took into account any feedback received from UK stakeholders.

The UKEB's response concluded that the proposed amendments achieved their objectives. It also included some minor drafting suggestions for the IASB to consider.

Outreach approach

The UKEB expected few companies would be impacted by the amendments and developed a proportionate approach to outreach.

The outreach approach was underpinned by the UKEB's guiding principles of thought leadership, transparency, independence, and accountability.

To develop our response we undertook a desk-based review of annual reports from a sample of UK listed companies, reaching out to those companies that appeared to be impacted by the IASB's proposals.

We also posted for public consultation the UKEB's draft comment letter.

We received feedback from one company, which we had identified during the research phase. The company is directly impacted by the proposals.

The limited feedback we received supported the approach proposed by the IASB and our own comment letter.

UKEB's Comment Letter Overview

IASB questions and UKEB position

IASB Question	UKEB draft and final position
Question 1: Assessing exchangeability between two currencies. Do you agree with the proposals?	We agree the proposed amendments provide preparers with guidance regarding the definition and assessment of a lack of exchangeability that is not temporary.
Question 2: Determining the spot exchange rate when exchangeability is lacking. Do you agree with the proposals?	We agree with the proposed approach to determining the spot exchange rate when exchangeability is lacking. Specifically we support the conclusion to propose conditions to be met when estimating a spot exchange rate, rather than specifying detailed requirements on how the estimation should be made.
Question 3: Disclosure. Do you agree with the proposals?	We agree with the disclosure objective and the disclosure requirements proposed in the Exposure Draft.
Question 4: Transition. Do you agree with the proposals?	We agree with the transition requirements proposed and that the amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> are appropriate.
Appendix: Minor drafting suggestions.	We suggested some redrafting of a couple of paragraphs to enhance the clarity and understandability of the proposed amendments.

Disclaimer

This feedback statement has been produced in order to set out the UKEB's response to stakeholder comments received on IASB's Exposure Draft *Lack of Exchangeability* and should not be relied upon for any other purpose.

The views expressed in this feedback statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this feedback statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

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