

# Feedback Statement

## *Lack of Exchangeability* (Amendments to IAS 21)

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**Endorsement Criteria Assessment (ECA)**

**Date: May 2024**

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS Accounting Standards for use in the UK and therefore is the UK's National Standard Setter for IFRS Accounting Standards. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

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# Purpose of this Feedback Statement

This Feedback Statement presents the views of UK stakeholders received during the UKEB's public consultation on the draft Endorsement Criteria Assessment (ECA) of *Lack of Exchangeability* Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* (the Amendments) and where relevant explains how the UKEB has addressed those views in the final ECA.



# Description of the Amendments

- The Amendments were issued by the IASB in August 2023 and are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted.

## Amendments to IAS 21

- The Amendments clarify the requirements in IAS 21 to assess exchangeability by defining 'exchangeable' and 'not exchangeable', the estimation objective for estimating the spot exchange rate when there is a lack of exchangeability and introduce specific disclosure requirements about how a currency, not exchangeable into another currency, affects the entity's financial position, financial performance, and cash flows.

## Consequential amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

- The Amendments to IAS 21 result in consequential amendments to IFRS 1 to align the requirements related to severe hyperinflation.
- The Amendments address diversity in international practice and improve the usefulness of the information provided to the users. This will enable them to assess the materiality of a lack of exchangeability on the business and to understand the judgements management made in determining exchange rates used in accounting for transactions impacted by a lack of exchangeability.

# UKEB consultation on the draft ECA

Prior to publishing the draft ECA, the UKEB engaged with:

- UKEB Advisory Groups (AGs):
  - Investor Advisory Group
  - Accounting Firms and Institutes Advisory Group
  - Preparer Advisory Group
- Preparers – 12 Large FTSE 100 companies
- Two Accounting firms (Big 4 and mid-tier)
- The UK accounting regulator
- A regional body

The draft ECA was published for consultation for 90 days, between 5 February 2024 to 6 May 2024.

The UKEB promoted awareness of the draft ECA and encouraged stakeholders to respond through News Alerts, LinkedIn posts, and the UKEB website.

Five formal responses from stakeholders were received during public consultation phase and have been published on the UKEB website. The responses were supportive of the adoption of the Amendments as proposed in the DECA.

Stakeholder feedback was reflected in the draft ECA.

Stakeholder type	Feedback prior to draft ECA	Formal responses to draft ECA
Accounting firms	-	3
Professional body	-	1
Preparers	3	1
AGs	26*	-
Regional body	1	-
<b>Total</b>	<b>30</b>	<b>5</b>

All stakeholder comments were considered in reaching the UKEB’s final assessment of the Amendments.

\*This include 11 members from AFIAG, 8 members from PAG, and 7 members from IAG, excluding these AGs chair

# Detailed assessment—Comments from respondents

UKEB Tentative Assessment	Stakeholder views	UKEB final assessment
<b>Technical Accounting Criteria Assessment</b>		
The draft ECA tentatively concluded that the Amendments met the technical criteria assessment, as required by Regulation 7(1) of SI 2019/685.	<p>All respondents agreed with the UKEB's tentative conclusion.</p> <p>One respondent, who did agree with the UKEB's tentative conclusion, suggested clarifying the UKEB's concluding position on understandability.</p>	No changes are made to this section as suggested by the respondent as adding an overall concluding sentence would be inconsistent with rest of the technical criteria assessment.
<b>True and fair view assessment</b>		
The draft ECA tentatively concluded that the Amendments were not contrary to the true and fair view principle set out in Regulation 7(1) of SI 2019/685.	All respondents agreed with the UKEB's tentative conclusion.	No changes.
<b>UK long term public good</b>		
The draft ECA tentatively concluded that the use of the Amendments is likely to be conducive to the long term public good in the UK as required by Regulation 7(1) of SI 2019/685.	All respondents agreed with the UKEB's tentative conclusion.	No changes.

# Disclaimer

This Feedback Statement has been produced in order to set out the UKEB's response to stakeholder comments received on the UKEB's draft Endorsement Criteria Assessment on *Lack of Exchangeability* (Amendments to IAS 21) 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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