

5 December 2023

Dr Andreas Barckow
Chairman
International Accounting Standards Board
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(By online submission)

Dear Andreas

RESPONSE TO EXPOSURE DRAFT ON ANNUAL IMPROVEMENTS TO IFRS ACCOUNTING STANDARDS—VOLUME 11

The Singapore Accounting Standards Committee (ASC), under the Accounting and Corporate Regulatory Authority (ACRA), performs the function of making or formulation of accounting standards in Singapore, a function previously carried out by the Singapore Accounting Standards Council. We welcome the opportunity to comment on the Exposure Draft on *Annual Improvements to IFRS Accounting Standards—Volume 11* (the ED) issued by the International Accounting Standards Board (the IASB or the Board) in September 2023.

Subject to our comments below, we are generally supportive of the proposals set out in the ED.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Both IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* remain in effect for hedge accounting, as it depends on an entity's accounting policy choice when it first applies IFRS 9. However, a first-time adopter of IFRS Accounting Standards has to apply IFRS 9 and does not have an option to elect to apply the hedge accounting requirements in IAS 39.

Despite the above, we note that for fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities (also known as ‘fair value macro hedges’), paragraph 6.1.3 of IFRS 9 allows an accounting policy choice of applying IAS 39. The current wording in IFRS 1 is unclear on whether this accounting policy choice is available to first-time adopters with fair value macro hedges, particularly since the project on *Dynamic Risk Management* is ongoing.

We suggest that the IASB considers clarifying in IFRS 1 whether a first-time adopter can, by virtue of paragraph 6.1.3 of IFRS 9, choose to apply the hedge accounting requirements in IAS 39 for fair value macro hedges.

IFRS 9 Financial Instruments

We note that the proposed amendment does not comprehensively address the original topic on forgiveness of lease payments raised to the IFRS Interpretation Committee (the IFRIC) in March 2022 and 2023, i.e., whether a lessee should apply IFRS 9 or IFRS 16 *Leases* to account for forgiveness of lease payments.

We can appreciate that the IASB would require more time to comprehensively address this issue and introduce new principles or changes to existing principles to current requirements where necessary. Therefore, we agree that this would be outside the scope of an annual improvement project.

Nonetheless, without acknowledging the issue or explaining the IASB’s rationale for not comprehensively tackling the issue in the Basis for Conclusions (BC) on the proposed amendment, it may result in a misinterpretation that a lessee has to apply IFRS 9 instead of other IFRS Accounting Standards, for example IFRS 16, to derecognise lease liabilities when accounting for a rent concession in a similar fact pattern as discussed by the IFRIC.

Accordingly, we suggest that the IASB considers clarifying in the BC that, in addition to its intention for a lessee to apply paragraphs 3.3.1 and 3.3.3 of IFRS 9 sequentially when the lessee derecognises lease liabilities in accordance with paragraph 2.1(b)(ii) of IFRS 9, its rationale for not comprehensively addressing the original topic raised to the IFRIC in March 2022 and 2023, and the alternatives that the IASB could explore in the future.

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

Yours sincerely

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