28 March 2024

Mr. Andreas Barckow
Chair
International Accounting Standards Board

Re: Exposure Draft "Financial Instruments with Characteristics of Equity"

Dear Mr. Barckow,

The Corporate Accounting Committee (CAC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on the Exposure Draft "Financial Instruments with Characteristics of Equity" (hereinafter referred to as the "ED") published on 29 November 2023.

The SAAJ is a not-for-profit organization for professionals in the areas of investment and finance, offering education and certification programs in these fields. Its certified member analysts (holding the CMA designation) number around 29,000.

The CAC is a standing committee of the SAAJ composed of 12 members, most of whom are users of financial statements including equity and credit analysts, portfolio managers, and academics.

The SAAJ sent a questionnaire survey on the ED to members of the CAC and CMAs, of which 18 responded. This comment letter is based on the ED questionnaire results and the discussions among members of the CAC. Please see the attached questionnaire results.

General Comments

On 7 January 2019, we submitted a comment letter on the IASB's Discussion Paper "Financial Instruments with Characteristics of Equity" (hereinafter referred to as the "DP") published on 18 June 2018[1]. In that comment letter, we stated that (1) we could not decide with confident how significantly the four-frame matrix classification approach in the DP would increase useful information for users of financial statements and (2) we basically agreed with the improvements in presentation and disclosure.

We agree with each of the proposals in this ED because (1) they focus on clarifying classification requirements rather than the classification approach proposed in the DP and (2) they propose

1 https://www.saa.or.jp/account/account/pdf/ikensho_190107en.pdf

improvements in presentation and disclosure. However, we have suggestions for improvement and minority opinions on some of the IASB's proposals.

Particularly, in Question 8, we encourage the IASB to provide guidance on the assumptions and calculation methods that preparers will use to separate "equity attributable to ordinary shareholders of the parent company" from "equity attributable to other owners of the parent" in order to reduce diversity in practice among preparers and ensure comparability. If it is difficult for the IASB to do so, we encourage the IASB to require an entity to disclose the assumptions and calculation methods used for the sake of understandability of users.

Below are our comments on each question.

Question 1—The effects of relevant laws or regulations (paragraphs 15A and AG24A–AG24B of IAS 32)
The IASB proposes to clarify that: (a) only contractual rights and obligations that are enforceable by laws or regulations and are in addition to those created by relevant laws or regulations are considered in classifying a financial instrument or its component parts (paragraph 15A); and (b) a contractual right or obligation that is not solely created by laws or regulations, but is in addition to a right or obligation created by relevant laws or regulations shall be considered in its entirety in classifying the financial instrument or its component parts (paragraph AG24B). Paragraphs BC12–BC30 of the Basis for Conclusions explain the IASB's rationale for these proposals. Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

We basically agree with these proposals, but have suggestions for improvement. In **Q1** of our questionnaire, 83.3% of respondents agreed with these proposals.

Users of Financial statements are particularly interested in the classification of financial instruments with 'bail-in' provisions. These instruments were introduced after the global financial crisis to facilitate the smooth and effective resolution of failed important financial institutions in the financial system. In order for users to accurately assess the risk of failure of the issuing entity (e.g. financial institution) and the risk of loss of principal of the different classes of financial instruments issued, it is necessary that the financial instrument be classified consistently with its economic substance, regardless of the relevant laws or regulations in each jurisdiction or type of financial institution. This

would be important from the perspective of financial system stability.

In this regard, the current relevant provisions of IAS 32 are unclear as to whether and how relevant laws or regulations affect the classification of such financial instruments, leading to practice issues that prevent consistent accounting and comparability for these financial instruments.

We understand that proposed (a) and (b) would clarify classification without significantly changing the concept of IAS 32 that assets or liabilities that are not contractual are not financial assets or financial liabilities. As new types of financial instruments with characteristics of equity are issued in the market, we are not certain that (a) and (b) alone will provide sufficient comparability. However, since the explanations in BC12 to BC30 are reasonably persuasive, we expect that the diversity in interpretations of issuers would be reduced, and comparability would be enhanced compared with the current situation.

On the other hand, because the legal treatment of assets, liabilities and equity differs between jurisdictions, there would be some cases where the classification of financial assets, financial liabilities or equity instruments determined by contractual rights and obligations based on these proposals and the classification based on the laws or regulations of each jurisdiction would not coincide. We are concerned that such cases could cause confusion among preparers and users.

That said, we believe it would be appropriate to take a step-by-step approach, first finalizing these proposals and then addressing any unresolved cases or unexpected results in a Post-Implementation Review.

However, as (a) and (b) are conceptual and difficult to understand, we encourage the IASB to provide specific examples of classification by issuing educational materials to avoid diversity in interpretation by issuers. We also encourage the IASB to include in the educational materials the above-mentioned cases where “classification determined by contractual rights and obligations based on these proposals” and “classification based on the laws or regulations of each jurisdiction” do not coincide, as well as the background of such cases, which should help stakeholders better understand the requirements.

Question 2—Settlement in an entity’s own equity instruments (paragraphs 16, 22, 22B–22D, AG27A and AG29B of IAS 32)
The IASB proposes to clarify when the fixed-for-fixed condition in paragraph 16(b)(ii) of IAS 32 is met by specifying that the amount of consideration to be exchanged for each of an entity’s own equity instruments is required to be denominated in the entity’s functional currency, and either:

(a) fixed (will not vary under any circumstances); or

(b) variable solely because of:

(i) preservation adjustments that require the entity to preserve the relative economic interests of future shareholders to an equal or lesser extent than those of current shareholders; and/or

(ii) passage-of-time adjustments that are predetermined, vary with the passage of time only, and have the effect of fixing on initial recognition the present value of the amount of consideration exchanged for each of the entity's own equity instruments (paragraphs 22B–22C).

The IASB also proposes to clarify that if a derivative gives one party a choice of settlement between two or more classes of an entity's own equity instruments, the entity considers whether the fixed-for-fixed condition is met for each class of its own equity instruments that may be delivered on settlement. Such a derivative is an equity instrument only if all the settlement alternatives meet the fixed-for-fixed condition (paragraph AG27A(b)).

The IASB further proposes to clarify that a contract that will or may be settled by the exchange of a fixed number of one class of an entity's own non-derivative equity instruments for a fixed number of another class of its own non-derivative equity instruments is an equity instrument (paragraph 22D).

Paragraphs BC31–BC61 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

We agree with these proposals. In **Q2** of our questionnaire, 83.3% of respondents agreed with these proposals.

We understand that these proposals will justify the interpretation of current practice that any variations due to "preservation adjustments" or "passage-of-time adjustments" meet the fixed-to-fixed condition. Therefore, we expect that the current classification would be retained for most entities.

On the other hand, a few entities that have interpreted "preservation adjustments" or "passage-of-time adjustments" more broadly than the proposed definitions would be required to reclassify from equity instruments to financial liabilities. However, because these reclassifications would improve overall comparability among entities, we believe that the benefits to users of financial statements

would outweigh the costs to some preparers.

Some suggested that cases such as paragraph IE54 of Example 13 would be classified as financial liabilities, but it should be clarified whether they would still be classified as financial liabilities even if there are variations in the options but no significant range in the variations.

Question 3—Obligations to purchase an entity's own equity instruments (paragraphs 23 and AG27B–AG27D of IAS 32)
The IASB proposes to clarify that: (a) the requirements in IAS 32 for contracts containing an obligation for an entity to purchase its own equity instruments also apply to contracts that will be settled by delivering a variable number of another class of the entity's own equity instruments (paragraph 23). (b) on initial recognition of the obligation to redeem an entity's own equity instruments, if the entity does not yet have access to the rights and returns associated with ownership of the equity instruments to which the obligation relates, those equity instruments would continue to be recognised. The initial amount of the financial liability would, therefore, be removed from a component of equity other than non-controlling interests or issued share capital (paragraph AG27B). (c) an entity is required to use the same approach for initial and subsequent measurement of the financial liability—measure the liability at the present value of the redemption amount and ignore the probability and estimated timing of the counterparty exercising that redemption right (paragraph 23). (d) any gains or losses on remeasurement of the financial liability are recognised in profit or loss (paragraph 23). (e) if a contract containing an obligation for an entity to purchase its own equity instruments expires without delivery: (i) the carrying amount of the financial liability would be removed from financial liabilities and included in the same component of equity as that from which it was removed on initial recognition of the financial liability. (ii) any gains or losses previously recognised from remeasuring the financial liability would not be reversed in profit or loss. However, the entity may transfer the cumulative amount of those gains or losses from retained earnings to another component of equity (paragraph

AG27C).

(f) written put options and forward purchase contracts on an entity's own equity instruments that are gross physically settled—consideration is exchanged for own equity instruments—are required to be presented on a gross basis (paragraph AG27D).

Paragraphs BC62–BC93 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

We agree with these proposals. In **Q3** of our questionnaire, 83.3% of respondents agreed with these proposals.

This is because, from a comparability perspective, it is desirable that the accounting for complex equity instruments, such as those with a non-controlling interest (NCI) put option, be consistent.

The example in paragraph IG14I and the presentation suggested in that example are acceptable to users of financial statements.

Some suggested as follows:

- While the explanation of (c) "measure the liability at the present value of the redemption amount and ignore the probability and estimated timing of the counterparty exercising that redemption right" is reasonable as a consistent approach, it is concerned that reliable information could be lost by discontinuing the current measurement using information about the probability and estimated timing.

- The approach to measurement of liabilities needs to be aligned with the requirements of IFRS 9 *Financial Instruments* and IFRS 13 *Fair Value Measurement* to avoid confusion.

- NCI puts should be deducted from non-controlling interests, not from the parent's ownership interests. In users' analysis, equity-related metrics are often calculated using the parent's ownership interests, which do not include non-controlling interests. Therefore, if NCI puts are deducted from the parent's ownership interests, the metrics could not faithfully represent the economic substance.

Question 4—Contingent settlement provisions (paragraphs 11, 25, 25A, 31, 32A, AG28 and AG37 of IAS 32)

The IASB proposes to clarify that:

(a) some financial instruments with contingent settlement provisions are compound financial instruments with liability and equity components (paragraphs 25 and 32A);

(b) the initial and subsequent measurement of the financial liability (or liability component of a compound financial instrument) arising from a contingent settlement provision would not take into account the probability and estimated timing of occurrence or non-occurrence of the contingent event (paragraph 25A);

(c) payments at the issuer's discretion are recognised in equity even if the equity component of a compound financial instrument has an initial carrying amount of zero (paragraphs 32A and AG37);

(d) the term 'liquidation' refers to the process that begins after an entity has permanently ceased its operations (paragraph 11); and

(e) the assessment of whether a contractual term is 'not genuine' in accordance with paragraph 25(a) of IAS 32 requires judgement based on the specific facts and circumstances and is not based solely on the probability or likelihood of the contingent event occurring (paragraph AG28).

Paragraphs BC94–BC115 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

We agree with these proposals. In **Q4** of our questionnaire, 88.2% of respondents agreed with these proposals.

As users of financial statements, we welcome the clarification on financial instruments with contingent settlement provisions. This would clarify the treatment of instruments that are normally liabilities but become equity upon the occurrence of a non-viability event, such as instruments with 'bail-in' provisions.

As users, we believe the clarifications in (a)-(e) are appropriate.

Whether to take into account the probability and estimated timing of occurrence or non-occurrence of the contingent event in (b) is a very important issue. Even if it were practicable to take into account

the probability and estimated timing of the occurrence or non-occurrence of a non-viability event, such information would not necessarily be reliable and the benefits to users would not outweigh the costs to preparers. We believe the treatment of not taking into account it is appropriate and consistent with the proposals regarding the obligation to purchase an entity's own equity instruments.

Question 5—Shareholder discretion (paragraphs AG28A–AG28C of IAS 32)
he IASB proposes: (a) to clarify that whether an entity has an unconditional right to avoid delivering cash or another financial asset (or otherwise to settle a financial instrument in such a way that it would be a financial liability) depends on the facts and circumstances in which shareholder discretion arises. Judgement is required to assess whether shareholder decisions are treated as entity decisions (paragraph AG28A). (b) to describe the factors an entity is required to consider in making that assessment, namely whether: (i) a shareholder decision would be routine in nature—made in the ordinary course of the entity's business activities; (ii) a shareholder decision relates to an action that would be proposed or a transaction that would be initiated by the entity's management; (iii) different classes of shareholders would benefit differently from a shareholder decision; and (iv) the exercise of a shareholder decision-making right would enable a shareholder to require the entity to redeem (or pay a return on) its shares in cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability) (paragraph AG28A(a)–(d)). (c) to provide guidance on applying those factors (paragraph AG28B). Paragraphs BC116–BC125 of the Basis for Conclusions explain the IASB's rationale for these proposals. Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

We agree with these proposals. In **Q5** of our questionnaire, 94.4% of respondents agreed with these proposals.

We believe it is important that, in cases where an entity's unconditional right to avoid delivering cash or another financial asset depends on the decision of its shareholders, the factors to be considered in assessing whether the shareholders' decision should be treated as the entity's decision are clarified, albeit by way of example. This clarification would reduce the diversity in interpretations by issuers, which is desirable for users of financial statements in terms of faithful representation and comparability. As new types of financial instruments with characteristics of equity are issued in the market and some instruments cannot be addressed only by principles, we believe that the proposed illustrative approach would be effective.

Question 6—Reclassification of financial liabilities and equity instruments (paragraphs 32B–32D and AG35A of IAS 32)

The IASB proposes:

(a) to add a general requirement that prohibits the reclassification of a financial instrument after initial recognition, unless paragraph 16E of IAS 32 applies or the substance of the contractual arrangement changes because of a change in circumstances external to the contractual arrangement (paragraphs 32B–32C).

(b) to specify that if the substance of the contractual arrangement changes because of a change in circumstances external to the contractual arrangement, an entity would:

(i) reclassify the instrument prospectively from the date when that change in circumstances occurred.

(ii) measure a financial liability reclassified from equity at the fair value of that financial liability at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the financial liability at the date of reclassification would be recognised in equity.

(iii) measure an equity instrument reclassified from a financial liability at the carrying amount of the financial liability at the date of reclassification. No gain or loss would be recognised on reclassification (paragraph 32D).

(c) provide examples of changes in circumstances external to the contractual arrangement requiring reclassification (paragraph AG35A).

Paragraphs BC126–BC164 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of the proposals,

please explain what you suggest instead and why. Would the proposal to reclassify the instrument prospectively from the date when a change in circumstances occurred give rise to any practical difficulties? If so, please describe those practical difficulties and the circumstances in which they would arise.

We agree with these proposals. In **Q6** of our questionnaire, 88.2% of respondents agreed with these proposals.

We agree with the addition of a general requirement that prohibits the reclassification of a financial instrument after initial recognition.

In addition, we believe it is appropriate to provide an exception for cases where the substance of a contractual arrangement changes because of a change in circumstances external to the contractual arrangement, because such cases are possible. The IASB considered three approaches to reclassification, (a), (b) and (c), in paragraph BC135. We believe that adopting (c) would strike a better balance between the benefits to users of financial statements and the costs to preparers than (a) and (b).

We also agree with the proposals in (b)(ii) and (b)(iii), given the objective of this project to clarify IAS 32 without making significant changes and the consistency with other requirements. Those proposals are:

- (b)(ii); to measure financial liabilities reclassified from equity at the fair value with the difference from the carrying amount recognized in equity, and
- (b)(iii); to measure an equity instrument reclassified from a financial liability at the carrying amount with no gain or loss recognized.

Some suggested that paragraphs BC161-BC164 in relation to (b)(iii) explain the differences from the treatment in IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, which deals with debt-equity swaps, but that the explanation should be more detailed.

Question 7—Disclosure (paragraphs 1, 3, 12E, 17A, 20, 30A–30J and B5A–B5L of IFRS 7)
The IASB proposes: (a) to expand the objective of IFRS 7 to enable users of financial statements to understand how an entity is financed and what its ownership structure is, including potential dilution to the ownership structure from financial instruments issued at the reporting date (paragraph 1).

(b) to delete the reference to derivatives that meet the definition of an equity instrument in IAS 32 from paragraph 3(a) of IFRS 7.

(c) to move paragraphs 80A and 136A from IAS 1 to IFRS 7. These paragraphs set out requirements for disclosures relating to financial instruments classified as equity in accordance with paragraphs 16A–16B and/or paragraphs 16C–16D of IAS 32 (paragraphs 12E and 30I). The IASB also proposes to expand paragraph 80A to cover reclassifications if there are changes in the substance of the contractual arrangement from a change in circumstances external to the contractual arrangement.

(d) to amend paragraph 20(a)(i) of IFRS 7 to require an entity to disclose gains or losses on financial liabilities containing contractual obligations to pay amounts based on the entity's performance or changes in its net assets, separately from gains or losses on other financial liabilities in each reporting period.

(e) to include disclosure requirements for compound financial instruments in IFRS 7 (paragraph 17A).

The IASB proposes to require an entity to disclose information about:

(a) the nature and priority of claims against the entity on liquidation arising from financial liabilities and equity instruments (paragraphs 30A–30B);

(b) the terms and conditions of financial instruments with both financial liability and equity characteristics (paragraphs 30C–30E and B5B–B5H);

(c) terms and conditions that become, or stop being, effective with the passage of time (paragraph 30F);

(d) the potential dilution of ordinary shares (paragraphs 30G–30H and B5I–B5L); and

(e) instruments that include obligations to purchase the entity's own equity instruments (paragraph 30J).

Paragraphs BC170–BC245 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with the proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

We basically agree with the proposals, but have suggestions for improvement. In **Q7** of our questionnaire, 83.3% of respondents agreed with the proposals.

We fully agree with the proposal to expand the objective of IFRS 7 to enable users of financial statements to understand how an entity is financed and what its ownership structure is.

We also agree with the proposed disclosure requirements in (a)-(e) as they are critical for users to accurately understand the risk, return and cost structure of an entity.

However, we have the following suggestions for improvement:

- Non-controlling interests in material subsidiaries and changes in significant non-controlling interests should be disclosed with the segment to which they belong. Currently, there is little disclosure of this information about non-controlling interests. However, this information is useful to users in forecasting the future financial position of a corporate group. It is also useful in assessing the soundness of a corporate group because non-controlling interests serve as a financial buffer in the event of losses at the subsidiary to which the interests belong, but do not serve at other subsidiaries.
- It should be required to disclose any contractual changes that could affect the potential dilution of ordinary shares, such as those in share-based payment arrangements, including the background to the change, so that users can recognize the impact on a timely basis.

Question 8—Presentation of amounts attributable to ordinary shareholders (paragraphs 54, 81B and 107–108 of IAS 1)
The IASB proposes to amend IAS 1 to require an entity to provide additional information about amounts attributable to ordinary shareholders. The proposed amendments are that: (a) the statement of financial position shows issued share capital and reserves attributable to ordinary shareholders of the parent separately from issued share capital and reserves attributable to other owners of the parent (paragraph 54); (b) the statement of comprehensive income shows an allocation of profit or loss and other comprehensive income attributable to owners of the parent between ordinary shareholders and other owners of the parent (paragraph 81B); (c) the components of equity reconciled in the statement of changes in equity include each class of ordinary share capital and each class of other contributed equity (paragraph 108); and (d) dividend amounts relating to ordinary shareholders are presented separately from amounts relating to other owners of the entity (paragraph 107). Paragraphs BC246–BC256 of the Basis for Conclusions explain the IASB's rationale for these

proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why.

Would the proposed requirement to allocate issued share capital and reserves between ordinary shareholders and other owners of the parent give rise to any practical difficulties in determining the required amounts? If so, please describe the possible difficulties and specify areas in which further guidance would be helpful.

We basically agree with these proposals, but have strong suggestions for improvement. In **Q8** of our questionnaire, 55.6% of respondents agreed with these proposals, but this percentage was lower than in the other **Q**s.

We fully agree with the proposal to present "equity attributable to ordinary shareholders of the parent company" separately from "equity attributable to other owners of the parent" as this is very important for users of financial statements in the valuation analysis of ordinary shares.

On the other hand, the reason for the low percentage of "agree" responses is that the proposals do not explain how to separate "equity attributable to ordinary shareholders of the parent company" from "equity attributable to other owners of the parent." An entity usually needs to adjust for interest and dividends to calculate the effect of dilution. To separate the two components of equity while making these adjustments, the entity needs to make calculations based on some assumptions.

Therefore, the IASB should provide guidance on those assumptions and calculation methods to reduce diversity in practice of entities and ensure comparability. If it is difficult for the IASB to do so, we encourage the IASB to require an entity to disclose the assumptions and calculation methods used for the sake of understandability of users.

Question 9—Transition (paragraphs 97U–97Z of IAS 32)

The IASB proposes to require an entity to apply the proposed amendments retrospectively with the restatement of comparative information (a fully retrospective approach). However, to minimise costs, the IASB proposes not to require the restatement of information for more than one comparative period, even if the entity chooses or is required to present more than one comparative period in its financial statements.

For an entity already applying IFRS Accounting Standards, the IASB proposes:

(a) to require the entity to treat the fair value at the transition date as the amortised cost of the financial liability at that date if it is impracticable (as defined in IAS 8 Accounting Policies,

Changes in Accounting Estimates and Errors) for the entity to apply the effective interest method in IFRS 9 Financial Instruments retrospectively (paragraph 97X); (b) not to require the entity to separate the liability and equity components if the liability component of a compound financial instrument with a contingent settlement provision was no longer outstanding at the date of initial application (paragraph 97W); (c) to require the entity to disclose, in the reporting period that includes the date of initial application of the amendments, the nature and amount of any changes in classification resulting from initial application of the amendments (paragraph 97Z); (d) to provide transition relief from the quantitative disclosures in paragraph 28(f) of IAS 8 (paragraph 97Y); and (e) no specific transition requirements in relation to IAS 34 Interim Financial Reporting for interim financial statements issued within the annual period in which the entity first applies the amendments. For first-time adopters, the IASB proposes to provide no additional transition requirements. Paragraphs BC262–BC270 of the Basis for Conclusions explain the IASB's rationale for these proposals. Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why. Would the proposal to apply the proposed amendments retrospectively give rise to any other cases in which hindsight would be necessary? If so, please describe those cases and the circumstances in which the need for hindsight would arise.

We agree with these proposals. In **Q9** of our questionnaire, 83.3% of respondents agreed with these proposals.

The fully retrospective approach will be essential for users of financial statements to analyze and evaluate ordinary shares.

The proposals require only a restatement of the immediately preceding period. Although users would benefit more if earlier periods were restated, it would not necessarily outweigh the costs to preparers.

The exemptions in (a), (b) and (d) are acceptable to users. We believe the requirement in (c) provides useful information to users.

Question 10—Disclosure requirements for eligible subsidiaries (paragraphs 54, 61A–61E and 124 of [IFRS XX])
The IASB proposes amendments to the draft Accounting Standard [IFRS XX Subsidiaries without Public Accountability: Disclosures], which will be issued before the proposals in the Exposure Draft are finalised. [IFRS XX] will permit eligible subsidiaries to apply the recognition, measurement and presentation requirements in IFRS Accounting Standards with reduced disclosures. The IASB's proposals select appropriate disclosure requirements from those proposed for IFRS 7, based on the IASB's agreed principles for reducing disclosures. Paragraphs BC257–BC261 explain the IASB's rationale for the selected disclosures. Do you agree with these proposals? Why or why not? If you disagree with any of the proposals, please explain what you suggest instead and why, taking into consideration the reduced disclosure principles described in BC258.

We agree with these proposals. In **Q10** of our questionnaire, 75.0% of respondents agreed with these proposals.

The draft Accounting Standard [IFRS XX *Subsidiaries without Public Accountability: Disclosures*] will permit eligible subsidiaries to apply the recognition, measurement and presentation requirements in IFRS Accounting Standards with reduced disclosures.

These proposals will permit reduced disclosures for eligible subsidiaries without public accountability in accordance with the draft standard and would be acceptable to users of financial statements.

Sincerely yours,

Satoshi Komiyama
Chair
Corporate Accounting Committee

Attachment: Questionnaire Results on the ED

The SAAJ sent a questionnaire survey on the ED to members of the CAC and CMAs, of which 18 responded.

Q1: The effects of relevant laws or regulations･･･Question 1

(a) Yes	15	83.3%
(b) No	1	5.6%
(c) Neither “Yes” nor “No”	2	11.1%
Total	18	100.0%

Q2: Settlement in an entity’s own equity instruments･･･Question 2

(a) Yes	15	83.3%
(b) No	1	5.6%
(c) Neither “Yes” nor “No”	2	11.1%
Total	18	100.0%

Q3: Obligations to purchase an entity’s own equity instruments･･･Question 3

(a) Yes	15	83.3%
(b) No	0	0.0%
(c) Neither “Yes” nor “No”	3	16.7%
Total	18	100.0%

Q4: Contingent settlement provisions･･･Question 4

(a) Yes	15	88.2%
(b) No	0	0.0%
(c) Neither “Yes” nor “No”	2	11.8%
Total	17	100.0%

Q5: Shareholder discretion･･･Question 5

(a) Yes	17	94.4%
(b) No	0	0.0%
(c) Neither “Yes” nor “No”	1	5.6%
Total	18	100.0%

Q6: Reclassification of financial liabilities and equity instruments･･･Question 6

(a) Yes	15	88.2%
(b) No	0	0.0%
(c) Neither “Yes” nor “No”	2	11.8%
Total	17	100.0%

Q7: Disclosure･･･Question 7

(a) Yes	15	83.3%
(b) No	0	0.0%
(c) Neither “Yes” nor “No”	3	16.7%
Total	18	100.0%

Q8: Presentation of amounts attributable to ordinary shareholders･･･Question 8

(a) Yes	10	55.6%
(b) No	1	5.6%
(c) Neither “Yes” nor “No”	7	38.9%
Total	18	100.0%

Q9: Transition･･･Question 9

(a) Yes	15	83.3%
(b) No	1	5.6%
(c) Neither “Yes” nor “No”	2	11.1%
Total	18	100.0%

Q10: Disclosure requirements for eligible subsidiaries･･･Question 10

(a) Yes	12	75.0%
(b) No	0	0.0%
(c) Neither “Yes” nor “No”	4	25.0%
Total	16	100.0%