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Ref: EFRAG's Comment Letter on the IASB's ED/2021/4 Lack of Exchangeability

Madrid, 1st September 2021

Dear Jean-Paul,

In the present letter ICAC gives its view on EFRAG's position presented in your draft comment letter on IASB's the Exposure Draft ED/2021/4 Lack of Exchangeability

We welcome the ED and the IASB's effort to specify when a currency is exchangeable into another currency and when it is not; how an entity determines the exchange rate to apply when a currency is not exchangeable; and the information an entity provides when a currency is not exchangeable. There is diversity in practice on those issues, then we believe that the proposed amendments to IAS 21 Foreign Currencies will help companies dealing with a lack of exchangeability.

In general, we agree with the proposed amendment to clarify on how to account when there is a lack of exchangeability between two currencies.

However, we are of the opinion that the mention in BC 18 to the economic models that an entity might use to estimate a spot exchange rate and the economic factors they use as inputs (for example, inflation, interest rates, the balance of payments or a jurisdiction's productivity) is a key issue. Then we suggest the Board to include it in the body of the standard, probably in paragraph 19A.

We also consider the need of additional guidance on how an entity estimates the exchange rate when there is no observable exchange rate or when the observable exchange does not meet the conditions of an estimated spot rate. In our view, this guidance should be in form of illustrative examples. Specifically, we recommend adding examples including factors an entity



use as input to estimate a spot exchange rate in the model, for example inflation indicators, interest rates, the balance of payments, etc)

We would appreciate some clarifications regarding *Example 4-Using an observable exchange rate* (EI9-EI12), in particular if it meets 19A (a) conditions and if that example is realistic or hypothetical, because the situation seems forced.

Regarding the additional disclosure requirements, we fully support the proposal which would enable users to understand the information about the nature of lack of exchangeability and the inputs used in estimating the spot exchange rate. From our perspective, as in other cases, the circumstances of a lack of exchangeable can be described in multiple ways, for this reason an exemption from disclosures based on the delicate political situation does not seem justified.

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Santiago Durán Domínguez

Chairman of the ICAC