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Our ref., Date
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31 August 2021

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Comment Letter Allianz Group on Exposure Draft ED/2021/4 Lack of Exchangeability – Proposed Amendments to IAS 21

Dear Kathrin,

Please find attached our comment letter on the ED/2021/4 Lack of Exchangeability that we have submitted to the IASB yesterday.

If you have any questions or if you would like to discuss our comment letter in further detail, please feel free to contact Job Schöningh (job.schoeningh@allianz.com) or us.

Yours sincerely,

Dr. Roman Sauer
Head of Group Accounting & Reporting

Andreas Thiele

Andreas Thiele
Head of Group Accounting Policy Department

Attachment: Allianz Group's Comment Letter to the IASB on ED/2021/4 www.allianz.com

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Invitation to comment on the IASB's Exposure Draft ED/2021/4 Lack of Exchangeability – Proposed Amendments to IAS 21

Dear Andreas,

We appreciate the opportunity to comment on the IASB's Exposure Draft ED/2021/4 *Lack of Exchangeability – Proposed Amendments to IAS 21* (herein referred to as 'ED'). This comment letter summarizes the Allianz Group's key positions on the proposals of the ED.

Overall, we welcome and support the IASB's proposal to add requirements to IAS 21 for an entity to determine whether a currency is exchangeable into another currency and the accounting requirements to apply when there is a lack of exchangeability. In this sense, we share the Board's view that this additional guidance contributes to reducing diversity in practice in these cases and thus increases the decision usefulness of the information provided to users of financial statements.

With regards to step I – *assessing exchangeability between two currencies*, we conclude that the proposed amendments in paragraphs A2 – A11 of IAS 21 provide adequate guidance to determine whether or not a currency lacks exchangeability. In our opinion, these new requirements of IAS 21 will help preparers to make this determination in a consistent way.

We also concur with the general concept laid out in paragraphs 19A – 19B concerning step II – *determining the spot exchange rate when exchangeability is lacking*. In particular, we are supportive of the proposed principles-based approach instead of prescribing detailed requirements on how an entity should make the estimate, for the reasons stipulated in paragraph BC18.

As such, we appreciate that the proposed amendments already foresee additional application guidance and illustrative examples. Accordingly, we concur with the possibility to use an observable rate as the estimated spot exchange rate as proposed in paragraph 19B. We believe that this approach constitutes a useful simplification when the corresponding requirements of paragraph A12 – A15 are met.

However, it is our perception that these underlying preconditions may often not be fulfilled in practice. In our view, the current proposals lack guidance on how an entity may estimate the applicable spot rate when an observable exchange rate cannot be used because the factors mentioned in A13 and A15 indicate that this rate may not faithfully reflect the prevailing economic conditions. Therefore, we suggest to include additional application guidance and illustrative examples to support entities in the estimation of the spot exchange rate in these circumstances. We would suggest that this additional guidance be based on actual cases, such as those observed in Venezuela or Lebanon. In this context, we further propose that the interrelation between hyperinflation and the estimation of the spot exchange rate be addressed and reflected in the application guidance and illustrative examples, as well.

We hope that our feedback is helpful for your further deliberations. Please feel free to contact Job Schöningh (job.schoeningh@allianz.com) or us to discuss any matters raised in this letter.

Yours sincerely,

Roman Sauer Andreas Thiele

Dr. Roman Sauer
Head of Group Accounting & Reporting

Andreas Thiele
Head of Group Accounting Policy Department