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Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street, First Floor
London, EC4M 6XH
United Kingdom



RE: ED 2015/8 Application of Materiality to Financial Statements

Dear Mr. Hoogervorst:

The Institute of International Finance (IIF), via its Senior Accounting Group (SAG), welcomes the opportunity to comment on the IASB's Exposure Draft: *Application of Materiality to Financial Statements (PS)*.

The SAG appreciates the IASB's initiative to address concerns observed during its outreach around the lack of understanding of some stakeholders on how to apply the concept of materiality in the financial statements. However, the concept of materiality is well understood by the members of the SAG and therefore we find that the proposed PS does not provide additional information we need compared to current practices. Nevertheless, the SAG finds this initiative valuable for several reasons.

The proposed PS has the benefit of confirming the way banks are applying the concept of materiality. For example, the PS states that not everything needs to be disclosed even though it is described as a minimum in a specific requirement and encourages use of judgment when making decisions to disclose.¹ Similarly, it is useful to have common-sense confirmation of the need for balance in assessing and meeting users' needs.²

The SAG also welcomes the fact that the draft PS addresses relevance and usefulness in the context of the needs of users throughout the document³. It is especially significant that the PS emphasizes the fact that materiality is not merely a quantitative criterion, but should also be judged in conjunction with what could be expected to be of importance to users.

The SAG welcomes the fact that the PS⁴ not only aims at assisting management in applying the concept of materiality but is also expected to help users of financial statements understand the approach management follows when making judgments about materiality.

¹ Paragraph 50

² E.g. paragraph 18

³ E.g.: paragraphs 50, 61

⁴ BC17

That said, the SAG recommends that such considerations about materiality be more clearly stated in the PS itself.

The proposed PS provides a number of illustrative examples of the application of materiality; however it is not clear how sensitive information is to be dealt with in making assessments of materiality⁵. As a result, the SAG would find it most valuable if the PS would specify, in line with the EDTF's recommendations⁶, that, a bank should be able to assess what information (if material) should be provided to ensure users are aware of important issues without disclosing potentially damaging confidential details.

We also recognize the difficulties of providing useful illustrative examples. We agree that applying materiality involves assessing qualitative and quantitative factors. However, the examples given do not really provide the type of illustrative explication that is needed for them to be fully helpful. Some seem to be more additional commentary than examples as such.

Specifically, the examples in paragraph 27 are unclear to us. Hypothetical quantitative details would be helpful in making the assessments. The disclosure of an accounting policy would be inadequate if the explanation is insufficient, given the importance of related transactions, but this is different from the disclosure of an immaterial accounting policy when the policy is not relevant to the circumstances of the entity. Combining both ideas in the same sentence creates unclarity. An uncertainty or contingency may be material because the amounts involved are unknown or may have a wide range of outcomes, so quantitative aspects are relevant.

It seems excessive to suggest, as set out in 28(b) that an item that is not currently material should be disclosed because it may become material in the future if management's plans are realized.

In addition, we note that paragraph 53 is mainly guidance about disclosing less information than specified by IFRS, rather than offering an example of the application of paragraph 52, which is about disclosing additional information to that specified by IFRS.

Finally, it is possible that additional commentary on materiality will be developed, such as in the area of the primary statements versus the notes, as the IASB works through its Principles of Disclosure project. However, we agree that it is appropriate to issue the Practice Statement before the finalization of that project.

The SAG is pleased to support the IASB in its further work, and stands ready to assist wherever possible.

Very truly yours,



⁵ Paragraph 28

⁶ Principle 4