The Swedish Financial Reporting Board

RFR-rs 2014:03

International Accounting Standards Board
30 Cannon Street
London EC4M 6 XH
United Kingdom

Dear Sirs,

Re: IASB Exposure Draft ED/2013/11 – Annual Improvements to IFRSs, 2012-2014 Cycle

The Swedish Financial Reporting Board is responding to your invitation to comment on the Exposure Draft regarding Annual Improvements to IFRSs.

We agree with most of the proposals in the ED. However, there are some issues we want to bring to the IASBs attention.

IAS 19 Employee Benefits: discount rate: regional market issue

Recently, several issues with regard to the discount rates in pension accounting have been debated globally, and the reason for this is the embedded weakness in IAS 19 when it comes to the determination of the discount rate.

We have urged the board in many letters (see letters dated 20 April 2009, 19 October 2009 and 16 March 2012) to review the guidance on the determination of the discount rate. One of the greatest concerns we have had is that an entity may report a significantly higher defined benefit obligation in a jurisdiction that does not have a deep market in high quality corporate bonds than it would in another jurisdiction that does have a deep market in such bonds, even when the underlying obligations are very similar. The significant widening of the spread between yields on corporate bonds and yields on government bonds, due to the global financial crisis has amplified this effect. Comparability of financial information is made more difficult by making like things look different, and this weakness in IAS 19 decreases the usefulness and quality of financial statements significantly.

We believe the actual proposal by the IASB in this document is just a codification of current practice, and will therefore not contribute to significant improvements. Except for the issue presented above, many concerns remain in this area, such as:

- It is unclear whether entities operating in jurisdictions where a deep high-quality corporate bond market exists (e.g. Germany) will be required to use blended rates defined at currency level if they use the same currency as other countries in the same economic area.

- It is unclear whether entities operating in jurisdictions where a deep high-quality corporate bond market does not exist will be required to use blended rates defined at currency currency level if they use the same currency as other countries in the same economic area.
- It is unclear whether a regional market only encompass bonds issued by entities domiciled within that regional market or bonds traded within that market
- In some countries, pension plans need to invest only in assets from that same country. It is unclear whether, in such situation, a blended rate or a national rate should be used in order to avoid accounting mismatches?

We believe that the IASB should undertake a thorough review to clarify the objectives underlying the selection and use of a discount rate in measuring post-employment benefit obligations, so that constituents can exercise judgement in applying the requirements in IAS 19.

As the IASB already has initiated a project on discount rates we believe that the issue above can be addressed as part of that project.

IAS 34 Interim Financial Reporting

In the ED the IASB states that the amendment is due to a request to clarify the meaning of an Interim financial report. We believe that the proposal to require cross references does not clarify what the meaning of an interim financial report is. A project to clarify boundaries of a financial report is not something that should be done in an annual improvement. Therefore we believe that this issue should be included as part of a project regarding financial statement presentation.

If you have any questions concerning our comments please address our Executive member Claes Janzon by e-mail to: claes.janzon@radetforfinansiellrapportering.se.

Stockholm, 26 March 2014

Yours sincerely

Anders Ullberg
Chairman