January 31, 2022

International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Board Members:

Consejo Mexicano de Normas de Información Financiera (CINIF), the accounting standard setting body in Mexico, welcomes the opportunity to submit its comments on the Exposure Draft ED/2021/7, *Subsidiaries without Public Accountability: Disclosures*, issued in July 2021 (the ED). Set forth below you will find our comments on the ED.

Overall comments

We conducted local outreach with selected groups that could give us appropriate feedback on the ED. Overall we observed strong agreement with the proposals in the ED. We have long received comments about the perceived excessive disclosure requirements under IFRS, and this ED is a major step in addressing those concerns.

Answers to specific questions

Set forth below are our answers to the specific questions included in the ED.

Question 1—Objective
Paragraph 1 of the draft Standard proposes that the objective of the draft Standard *Subsidiaries without Public Accountability: Disclosures* is to permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Standards. Do you agree with the objective of the draft Standard? Why or why not? If not, what objective would you suggest and why?

Our outreach indicates complete agreement with the objective of the proposed standard, which ultimately is to meet the needs of the users of the financial statements without undue burden on preparers.

Question 2—Scope
Paragraphs 6–8 of the draft Standard set out the proposed scope. Paragraphs BC12–BC22 of the Basis for Conclusions explain the Board's reasons for that proposal.

Do you agree with the proposed scope? Why or why not? If not, what approach would you suggest and why?

Although the vast majority of our constituents agree with the proposed scope, during our outreach we received some comments regarding restricting the scope of the proposed new standard only to subsidiaries without public accountability. In this regard, some agree with the alternative view expressed in the Basis for Conclusions, i.e. that the proposed standard should be available to all entities without public accountability, whether or not such entities are subsidiaries.

Additionally, we request that the Board clarify the third condition in paragraph 6 of the proposed standard for its application. That condition is that the entity "has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Standards". We observe that paragraph BC20 of the Basis for Conclusions states "The Board is proposing that the draft Standard should be available only to subsidiaries of a parent that produces consolidated financial statements that comply with IFRS Standards", without any reference to such financial statements being available for public use.

We note that this condition is based on the requirements in paragraph 4(a)(iv) of IFRS 10, *Consolidated Financial Statements*, which states that a parent need not present consolidated financial statements if it meets all the following conditions, one of which is "its ultimate or any intermediate parent produces financial statements that are available for public use and comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this IFRS".

We are unclear how to interpret "available for public use" and would appreciate clarification.

Question 3—Approach to developing the proposed disclosure requirements
Paragraphs BC23–BC39 of the Basis for Conclusions explain the Board's reasons for its approach to developing the proposed disclosure requirements. Do you agree with that approach? Why or why not? If not, what approach would you suggest and why?

Our outreach showed that our constituents agree with the approach used to develop the proposed disclosure requirements.

Question 4—Exceptions to the approach
Paragraphs BC40–BC52 of the Basis for Conclusions explain the Board's reasons for the exceptions to its approach to developing the proposed disclosure requirements. Exceptions (other than paragraph 130 of the draft Standard) relate to: • disclosure objectives (paragraph BC41); • investment entities (paragraphs BC42–BC45); • changes in liabilities from financing activities (paragraph BC46); • exploration for and evaluation of mineral resources (paragraphs BC47–BC49); • defined benefit obligations (paragraph BC50); • improvements to disclosure requirements in IFRS Standards (paragraph BC51); and • additional disclosure requirements in the IFRS for SMEs Standard (paragraph BC52). (a) Do you agree with the exceptions? Why or why not? If not, which exceptions do you disagree with and why? Do you have suggestions for any other exceptions? If so, what suggestions do you have and why should those exceptions be made?

(b) Paragraph 130 of the draft Standard proposes that entities disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The proposed requirement is a simplified version of the requirements in paragraphs 44A–44E of IAS 7 *Statement of Cash Flows*.

   (i) Would the information an eligible subsidiary reports in its financial statements applying paragraph 130 of the draft Standard differ from information it reports to its parent (as required by paragraphs 44A–44E of IFRS 7) so that its parent can prepare consolidated financial statements? If so, in what respect?

   (ii) In your experience, to satisfy paragraphs 44A–44E of IAS 7, do consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities?

Our constituents expressed complete agreement with the exceptions to its approach to developing the proposed disclosure requirements. We also agree with the simplified disclosure of a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities and believe such information would be sufficient for the parent to prepare its consolidated financial statements. We were not made aware of any recurring failure to comply with the disclosure requirements of IAS 7.

Question 5—Disclosure requirements about transition to other IFRS Standards

Any disclosure requirements specified in an IFRS Standard or an amendment to an IFRS Standard about the entity's transition to that Standard or amended Standard would remain applicable to an entity that applies the Standard.

Paragraphs BC57–BC59 of the Basis for Conclusions explain the Board's reasons for this proposal.

Do you agree with this proposal? Why or why not? If not, what approach would you suggest and why?

We agree that any disclosure requirements specified in an IFRS standard or an amendment to an IFRS standard about the entity's transition to that standard or amended standard should remain applicable to an entity that applies the standard.

Question 6—Disclosure requirements about insurance contracts

The draft Standard does not propose to reduce the disclosure requirements of IFRS 17 Insurance Contracts. Hence an entity that applies the Standard and applies IFRS 17 is required to apply the disclosure requirements in IFRS 17.

Paragraphs BC61–BC64 of the Basis for Conclusions explain the Board's reasons for not proposing any reduction to the disclosure requirements in IFRS 17.

(a) Do you agree that the draft Standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17? Why or why not? If you disagree, from which of the disclosure requirements in IFRS 17 should an entity that applies the Standard be exempt? Please explain why an entity applying the Standard should be exempt from the suggested disclosure requirements.

(b) Are you aware of entities that issue insurance contracts within the scope of IFRS 17 and are eligible to apply the draft Standard? If so, please say whether such entities are common in your jurisdiction, and why they are not considered to be publicly accountable.

For the reasons explained in the ED, we agree that the proposed standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17. We are not aware of entities that issue insurance contracts within the scope of IFRS 17 that are eligible to apply the proposed standard.

Question 7—Interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs 23–30 of the draft Standard propose reduced disclosure requirements that apply to an entity that is preparing its first IFRS financial statements and has elected to apply the Standard when preparing those financial statements.

If a first-time adopter of IFRS Standards elected to apply the draft Standard, the entity would:

- apply IFRS 1, except for the disclosure requirements in IFRS 1 listed in paragraph A1(a) of Appendix A of the draft Standard; and

- apply the disclosure requirements in paragraphs 23–30 of the draft Standard.

This approach is consistent with the Board's proposals on how the draft Standard would interact with other IFRS Standards.

However, IFRS 1 differs from other IFRS Standards—IFRS 1 applies only when an entity first adopts IFRS Standards and sets out how a first-time adopter of IFRS Standards should make that transition.

(a) Do you agree with including reduced disclosure requirements for IFRS 1 in the draft Standard rather than leaving the disclosure requirements in IFRS 1?

Paragraphs 12–14 of the draft Standard set out the relationship between the draft Standard and IFRS 1.

(b) Do you agree with the proposals in paragraphs 12–14 of the draft Standard? Why or why not? If not, what suggestions do you have and why?

Our outreach indicated agreement with including reduced disclosure requirements for IFRS 1 in the proposed standard rather than leaving the disclosure requirements in IFRS 1. We also agree with the proposal that set out the relationship between the proposed standard and IFRS 1.

Question 8—The proposed disclosure requirements

Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. In addition to your answers to Questions 4 to 7:

(a) Do you agree with those proposals? Why or why not? If not, which proposals do you disagree with and why?

(b) Do you recommend any further reduction in the disclosure requirements for an entity that applies the Standard? If so, which of the proposed disclosure requirements should be excluded from the Standard and why?

(c) Do you recommend any additional disclosure requirements for an entity that applies the Standard? If so, which disclosure requirements from other IFRS Standards should be included in the Standard and why?

Our outreach did not include a survey of the individual reduced disclosure requirements, since few, if any, of our constituents have studied and evaluated the reductions.

As a result, we are not yet in a position to recommend any further reductions in the disclosure requirements or any additional disclosure requirements. However, we are reviewing in detail all proposed disclosure reductions, standard by standard, and if we identify any suggestions, we forward them to the Board for its consideration.

Question 9—Structure of the draft Standard

Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. These disclosure requirements are organised by IFRS Standard and would apply instead of the disclosure requirements in other IFRS Standards that are listed in Appendix A. Disclosure requirements that are not listed in Appendix A that remain applicable are generally indicated in the draft Standard by footnote to the relevant IFRS Standard heading. Paragraphs BC68–BC70 explain the structure of the draft Standard.

Do you agree with the structure of the draft Standard, including Appendix A which lists disclosure requirements in other IFRS Standards replaced by the disclosure requirements in the draft Standard? Why or why not? If not, what alternative would you suggest and why?

There was agreement with the structure of the proposed standard, including Appendix A.

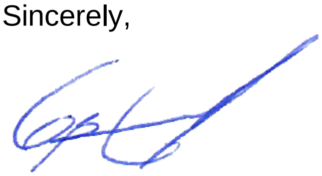
Question 10—Other comments

Do you have any other comments on the proposals in the draft Standard or other matters in the Exposure Draft, including the analysis of the effects (paragraphs BC92–BC101 of the Basis for Conclusions)?

No other specific comments were received.

Should you require additional information on our comments listed above, please contact William A. Biese at (52) 55 5433 3070 or me at (52) 55 5403 8309 or by e-mail at wbiese@cinif.org.mx or egarcia@cinif.org.mx, respectively.

Sincerely,



C.P.C. Elsa Beatriz García Bojorges
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Consejo Mexicano de Normas de Información Financiera (CINIF)

Cc: Mr. Tadeu Cendon