



April 11, 2022

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

Dear Committee 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 Tentative Agenda Decision (TAD) reached by the IFRS Interpretations Committee (the Committee) in its meetings in February 2022. That TAD deals with the issue of Negative Low Emission Vehicle Credits.

Set forth below you will find our comments on the conclusions reached in the TAD.

Overall comments

We agree with the conclusion reached by the Committee in the TAD that the principles and requirements in IFRS provide an adequate basis for a reseller to determine whether—in the fact pattern described in the request—an entity has an obligation that meets the definition of a liability in IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Consequently, we agree with the decision not to add a standard-setting project to the work plan of the IASB.

Specific comments

Our local outreach indicated unanimous agreement that in the situation described, the guidance in IAS 37 is sufficient.

We agree that unless accepting the non financial sanctions that the government can impose is a realistic alternative to eliminating negative credits, the entity has a legal obligation under IAS 37. The determination as to whether the entity accepting the sanctions that the government can impose is a realistic alternative will depend on the particular circumstances of each entity and the nature of the sanctions that could be imposed. The example mentioned on the TAD related to restricting the entity's access to the market clearly may not be a realistic alternative in many circumstances. Nevertheless, there could be other forms of sanctions, including monetary penalties, that could well be a realistic alternative.

On the other hand, we also agree that even if the entity does not have a legal obligation that meets the definition of a liability in IAS 37, because accepting sanctions is a realistic alternative for that entity, such

an entity nevertheless could have a constructive obligation that meets the definition of a liability in IAS 37 if the entity has taken an actions that have created valid expectations in other parties that it will eliminate negative credits generated from its past production or import activities. Once again, this will depend on the particular circumstances of each entity.

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
President of the Mexican Financial Reporting Standards Board
Consejo Mexicano de Normas de Información Financiera (CINIF)

Cc: Mr. Tadeu Cendon