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Mr Hans Hoogervorst
Chairman
International Accounting Standard Board
30 Cannon Street
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Exposure Draft: Disclosure Initiative – Proposed amendments to IAS 1

Dear Mr Hoogervorst

The European Banking Authority (EBA) welcomes the opportunity to comment on the IASB's Exposure Draft ED/2014/1 Disclosure Initiative – Proposed amendments to IAS 1 (ED hereafter). The EBA has a strong interest in promoting sound and high quality accounting and disclosure standards for the banking and financial industry, as well as transparent and comparable financial statements that would strengthen market discipline.

The EBA welcomes the IASB initiative aimed at improving the existing presentation and disclosure requirements for financial statements. We encourage the IASB to pursue this effort under the Disclosure Initiative project.

We support the IASB objective to provide narrow-focus clarifying amendments to IAS 1 to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when preparing their financial statements. However, we are of the view that certain proposals could be developed or clarified further in order to avoid any unintended misinterpretation and possible adverse effects on the understandability and comparability of financial information across institutions.

Our comments on the ED are set out in the Annex. We have not explicitly addressed the specific questions raised in the ED.

If you have any questions regarding our comments, please do not hesitate to contact us.

Yours sincerely

[signed]

Andrea Enria

Annex

Materiality for presentation and disclosure purposes

We agree with the view expressed in the ED that disclosure at an excessive level of detail, providing immaterial information may overwhelm useful information. While we support the changes introduced in this ED we also believe that the concept of materiality for presentation and disclosure purposes may need to be addressed in a more comprehensive manner.

More specifically, some disclosures could be assessed as immaterial from the preparer's point of view and therefore be omitted from the financial statements, even though such disclosures might provide useful information to users. For example, a firm may not disclose information in relation to its exposures to CDOs and sovereign debts as the amounts are minimal, hence considered as not material. However, this information could be important from a user's perspective in assessing the risk profile of the firm compared to its peers.

Therefore, the EBA welcomes that the IASB will be undertaking further work to assess the existing guidance on materiality as part of its Disclosure Initiative Project. In this regard, the EBA would welcome more guidance and clarification on the definition and application of the concept of materiality for presentation and disclosure purposes, in order to ensure comparability and faithful representation in the financial statements.

Aggregation and Disaggregation of line items

The EBA welcomes the clarification that the line items should be disaggregated when it is relevant to understand the entity's financial position. Regarding aggregation of line items, paragraph BC11 explains the reasons to delete the words "as a minimum" from paragraph 54 to clarify that line items can be aggregated if they are immaterial and also to align the wording used for the Statement of Financial Position to the one used for the Profit or Loss in paragraph 82. However, the IASB could further clarify in the Standard (as it is now in the BC) that an entity should still use the level of disaggregation of paragraph 54, whenever line items are considered to be material.

In addition, further consideration would be useful on whether aggregating material and immaterial items that have different characteristics is appropriate. In case that such aggregation might be deemed as inappropriate, additional requirements in the Standard or additional guidance addressing this issue would be necessary.

Flexibility on the presentation and disclosures of notes and accounting policies

The ED proposes more flexibility on the presentation and disclosure of notes and accounting policies in the financial statements, which could lead to more entity-specific and understandable financial information.

However, as the IASB acknowledges in BC19, there is a trade-off between understandability and comparability, meaning that varying the order of the notes to increase understandability could

mean that comparability between entities is reduced. In this context, the EBA believes that an appropriate balance needs to be maintained between comparability and understandability as they are both enhancing qualitative characteristics in the Conceptual Framework. In this regard, we would like to draw the IASB attention to the fact that differing practices applied by entities in presenting their disclosures may, in some instances hamper the understandability and comparability of the financial statements.

Therefore, we welcome the further work that the IASB will be undertaking as part of the Disclosure Initiative project to develop a set of principles for disclosure in IFRS and also the work on significant accounting policies as part of the materiality project.