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Ms
Françoise Flores
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Draft Comment Letter on IASB Exposure Draft on Investment Entities

Dear Ms Flores,

EIOPA welcomes the opportunity to comment on EFRAG's draft comment letter on the IASB's Exposure Draft *Investment Entities* (ED).

While EIOPA generally agrees with EFRAG's draft comment letter, it does support the IASB's proposal that a parent of an investment entity should not retain, in its consolidated financial statements, the fair value accounting that is applied by its investment entity subsidiary to its controlled entities, unless the parent qualifies as an investment entity itself.

EIOPA supports the IASB's position for the following reasons:

- a. The principles outlined in the Exposure Draft are an exemption to the IASB's consolidation principle and as such, the scope of its application should be restricted to specific, narrowly defined criteria. We think that, as outlined on page 9 of the ED, the majority of parents of investment entities would supposedly qualify as investment entities. That is why EIOPA questions the benefit of further increasing the scope of the exemption for a minority number of applicable entities who are non-investment parent entities. We would follow the reasoning of paragraphs BC19 and BC20 of the ED.

- b. EIOPA is concerned that extending the scope of the ED to include parents of investment entities who are themselves non-investment entities could reduce the comparability of financial statements and potentially give rise to opportunities of abuse. The example provided in paragraph BC20 of the ED describes possible inconsistent accounting if a parent entity's own shares are held by a controlled non-investment entity as opposed to be held by a controlled investment entity. EIOPA believes that any rules that cannot improve comparability or prevent manipulation or accounting arbitrage may in fact increase the risk that some entities could invent structures in order to apply fair value accounting and not to consolidate.

In summary, EIOPA does not believe that there is a convincing argument for extending the exemption as outlined in EFRAG's draft comment letter. In fact, EIOPA would argue that widening the scope of the ED could potentially adversely affect the comparability of financial statements and potentially give rise to abuse and accounting arbitrage.

If you have any questions or wish to discuss this further with us, please feel free to contact Ms Sandra Hack at Sandra.Hack@eiopa.europa.eu.

With warm regards,



Carlos Montalvo