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

Rome, 26nd September 2014

Re: IASB's ED/2014/2 Investment Entities: Applying the consolidation Exception

Dear Sir/Madam,

We are pleased to have the opportunity to provide our comments on *Exposure Draft Investment Entities: Applying the consolidation Exception.*

OIC supports IASB proposal on the first question regarding the *'exemption for preparing consolidated financial statements'*.
However we some concerns on the other two questions. On the second question regarding '*a subsidiary that provides services that relate to the parent's investments activities*' we think that ED should contain a more conceptual and principle-based solution to clarify that investment entities should present all investments in subsidiaries at fair value except those that are, in substance, an extension of the entity's own activities. On the third question we do not support the proposal in respect of joint ventures, because it could lead to additional costs without commensurate benefits.

Our detailed responses to the ED questions are in the Appendix.
Should you need any further information, please do not hesitate to contact us.

Yours faithfully
Angelo Casò
(Chairman)

Appendix – Answers to the questions to the Exposure Draft

Question 1—Exemption from preparing consolidated financial statements
The IASB proposes to amend IFRS 10 to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures its subsidiaries at fair value in accordance with paragraph 31 of IFRS 10. Do you agree with the proposed amendment? Why or why not?

We support the proposed amendment and agree that an intermediate parent entity that is a subsidiary of an investment entity should be able to use the exemption in paragraph 4(a) of IFRS 10, even when the investment entity parent measures its subsidiaries at fair value in accordance with paragraph 31 of IFRS 10. We also support the proposed consequential change to paragraph 17 (d) of IAS 28.

We are aware that not presenting consolidated information of the parent entity subsidiary could lead to a loss of information for users of the financial statement of that parent entity subsidiary. However we note that, when an investment entity measures its interest in a subsidiary at fair value, the disclosures required by IFRS 12 are supplemented by those required in IFRS 7 and IFRS 13. Hence, in our opinion this combination of information provides sufficient reasons for maintaining the existing exemption. Furthermore, removing the exemption in the cases presented in the ED could result in significant additional costs, without commensurate benefit. Moreover, even before the ED, the sub-holding entity would not have done the consolidated financial statements and, therefore, that information would not be available for users of the financial statement of that parent entity subsidiary.

Question 2—A subsidiary that provides services that relate to the parent's investment activities
The IASB proposes to amend IFRS 10 to clarify the limited situations in which paragraph 32 applies. The IASB proposes that the requirement for an investment entity to consolidate a subsidiary, instead of measuring it at fair value, applies only to those subsidiaries that act as an extension of the operations of the investment entity parent, and do not themselves qualify as investment entities. The main purpose of such a subsidiary is to provide support services that relate to the investment entity's investment activities (which may include providing investment-related services to third parties). Do you agree with the proposed amendment? Why or why not?

We support the IFRS 10 requirement to consolidate subsidiaries that provide services that relate to the investment entity's investment activities; such subsidiaries act as an extension of the investment entity itself.

We think that the standard should contain a more conceptual and principle-based solution to clarify that investment entities should present all investments in subsidiaries at fair value except those that are, in substance, an extension of the entity's own activities.

For this reason we do not agree with the proposal in the ED because it introduces a specific rule aimed at a specific situation. We believe that this amendment is rather specific and gives room for structuring opportunities.

We do not support the proposed requirement that an investment entity should use fair value even when an investment entity subsidiary provides investment related services. We do not believe this assumption is appropriate because subsidiaries that provide such services - regardless of the materiality of those services - may be acting as an extension of the parent irrespective of whether they are investment entities. In these cases, we believe that they should be consolidated.

Question 3—Application of the equity method by a non-investment entity investor to an investment entity investee
The IASB proposes to amend IAS 28 to: (a) require a non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by an investment entity associate to its interests in subsidiaries; and (b) clarify that a non-investment entity investor that is a joint venturer in a joint venture that is an investment entity cannot, when applying the equity method, retain the fair value measurement applied by the investment entity joint venture to its interests in subsidiaries. Do you agree with the proposed amendments? Why or why not?

We agree with the proposal in respect of the accounting for investment entity associates that are held by non-investment entity investors as it offers a practical solution. We are aware of the difficulties that investors in associates face when they are required to impose uniform accounting policies to investees.

We do not support the proposal in respect of joint ventures, because it could lead to additional costs without commensurate benefits. We believe that a joint venturer is also likely to face significant practical difficulties (i.e. to have access to the information) if it had to restate the financial statements of the joint venture in order to consolidate subsidiaries accounted at fair value.

OIC sees no conceptual reasons to have a differing basis for the application of the equity method to interests in associates and in joint ventures. We prefer a common approach and we suggest the investor/joint venture should retain the fair value measurement applied by that investment entity (that is an associate or joint venture).