



International Accounting Standards Board®

# Press Release

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## **IASB publishes proposals to amend the requirements to disclose related parties**

The International Accounting Standards Board (IASB) today published for public comment proposals to amend the requirements for entities to disclose in their financial statements information about related parties. The proposals are set out in an Exposure Draft of proposed amendments to IAS 24 *Related Party Disclosures*.

The main change proposed is to reduce the disclosure requirements in IAS 24 for some entities that are related only because they are each state-controlled or significantly influenced by the state. The changes respond to concerns expressed by interested parties about the difficulties that these entities have in obtaining the information required by IAS 24. In many cases, the entities affected may not even know that they are related to others controlled or influenced by the state. The IASB concluded that for those entities affected the cost of complying with IAS 24 is likely to outweigh the benefits of the disclosures to users of their financial statements. The exemption proposed is limited to those circumstances in which it is clear that the related entities are not influencing each other.

The Exposure Draft also proposes to clarify, and remove inconsistencies in, the definition of a related party.

Introducing the Exposure Draft, Sir David Tweedie, IASB Chairman, said:

The proposals aim to remove a significant burden of disclosure from some entities, particularly in jurisdictions with extensive state control of, and significant influence over, businesses. The Board believes that eliminating requirements that, in those circumstances, produce information that is often of little or no value will enable preparers and users of financial statements to focus on the substance of those related party relationships that are likely to affect the financial statements. We are also taking the opportunity to respond to some valid requests to clarify the definition of a related party.

The IASB invites comments on the Exposure Draft by 25 May 2007.

The Exposure Draft is available for eIFRS subscribers from today and will be freely available on the Website from 5 March 2007. Those wishing to subscribe to eIFRSs should visit the online shop at [www.iasb.org](http://www.iasb.org) or contact:

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Printed copies of the Amendments to IAS 24—*State-controlled Entities and the Definition of a Related Party* (ISBN 978-1-905590-29-2) will be available shortly, at £10.00, from the IASB Foundation Publications Department.

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**Notes to Editors**

**About the Exposure Draft**

1 The Exposure Draft proposes to eliminate the disclosure requirements in paragraph 17 of IAS 24 for some entities that are controlled or significantly influenced by a state in relation to transactions with other entities controlled or significantly influenced by that state. The Board has used an indicator approach to establish when an entity can apply the exemption.

2 The proposed indicators of circumstances in which the relationship should not be exempt include:

- the presence of common members of the board
- the existence of direction or compulsion by a state
- related parties transacting business at non-market rates
- related parties sharing of resources
- related parties undertaking economically significant transactions.

3 The Exposure Draft also proposes to amend and clarify the definition of a related party to remove inconsistencies and improve readability. The main amendments to the definition are:

- the inclusion, in the definition of a related party, of the relationship between a subsidiary and an associate of the same entity, in the individual or separate financial statements of both the subsidiary and the associate.
- the removal, from the definition of a related party, of situations in which two entities are related to each other because a person has significant influence over one entity and a close member of the family of that person has significant influence over the other entity. The Board concluded that the definition of IAS 24 does not include two associates of the same entity as related to each other. Therefore, when the investor is a person and a close member of the family of that person, the same conclusion should apply.
- the inclusion, within the definition of a related party, of two entities where one is an investee of a member of key management personnel (KMP) and the other is the entity managed by the person that is a member of KMP. At present, investees of KMP are related to the entity that the KMP managed but IAS 24 does not include the reciprocal of this.

### **About the IASB**

The International Accounting Standards Board (IASB), based in London, began operations in 2001. Contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations fund the operations of the IASB.

The 14 Board members (12 of whom are full-time) are drawn from nine countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.