
Buenos Aires, Argentina, November 15th, 2024

**IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom**

REF: IFRS IC Tentative Agenda Decisions reached in the September 10, 2024 meeting

Dear Board Members,

The “Group of Latin American Accounting Standard Setters”¹ (GLASS) appreciates the opportunity to comment on the following Tentative Agenda Decision (TAD) reached by the IFRS IC during its meeting on September 10, 2024, which included the following topic:

Guarantees Issued on Obligations of Other Entities

This response summarizes the points of view of the members of the different countries that comprise GLASS, pursuant to the following due process.

Due process

The discussions regarding the Tentative Agenda Decision (TAD) of IFRS IC were held within a specified Permanent Technical Commission (PTC) created in December 2020. All GLASS country-members had the opportunity to appoint at least one member to participate in this PTC. Each standard setter represented in GLASS has undertaken different tasks in their respective countries (e.g., surveys, internal working groups). All results were summarized, and this summary was the platform for GLASS discussion process.

GLASS discussed the different points of view included in the summary among its members through emails and virtual meetings. In those exchanges GLASS developed a final document on the basis of the consensual responses and the technical points of view of its members. Finally, the GLASS document was submitted to and approved by the GLASS Board.

Comments

The request received by the Committee deals with which regulations should be applied in three fact patterns, in the context of the separate financial statements of an entity.

In these fact patterns, an entity issues various types of contractual guarantees on the obligations of a joint venture. These fact patterns include situations in which the entity guarantees to make payments to a bank, a client or another third party in a situation where the joint venture does not comply with its contractual obligations under its service contracts or association agreements and does not make payments when due.

GLASS shares the conclusions reached by the Committee in relation to its proposal of not to include the topic in its work agenda, since it is considered that the existing standards contain what is necessary for an adequate treatment of the topic and that the TAD is an ideal mechanism to deal with the topic.

The fact pattern:

The request asks whether the guarantees issued are financial guarantee contracts that should be accounted for in accordance with IFRS 9 *Financial Instruments* and, if not, what other IFRS Accounting Standards apply to these guarantees.

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB and Tentative Agenda Decisions issued by the IFRS IC. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Chair), Bolivia, Brazil (Board), Chile, Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Vice Chair).

GLASS opinion

In relation to this matter, GLASS considers that it is very relevant for the selection of the accounting policy to be applied by the entity to consider the specific facts and circumstances and the terms and conditions of each guarantee contract, disregarding in this step the nature of the entity's main activities and its business model.

The Committee proposes a methodology of analysis sequence that in the opinion of GLASS may be an appropriate practice for determining the accounting policies to be applied, although it is necessary to highlight that IFRS accounting standards provide very useful tools for the adoption of the most appropriate accounting policy. For example, in the case where guarantees are granted in conjunction with the sale of other goods or the provision of services, IFRS 15 includes the ideal mechanism for identifying the performance obligations and the attribution of the measurement to each of them.

On the other hand, for exclusive guarantee contracts, the nature of the guaranteed obligation and the specific conditions of the contract allow identifying if what is being guaranteed is a debt instrument and therefore IFRS 9 will apply as a financial guarantee contract or if it has the characteristics of an insurance contract and IFRS 17 applies or, failing that, if what is guaranteed is the fulfillment of performance obligations, that is, they guarantee the fulfillment of the contract and not the payment of a debt, and a provision contemplated by IAS 37 should be recognized.

GLASS is also of the opinion that in cases where the application of one or another standard is not very clear, any of those that could reasonably be applied will lead to the recognition and measurement of financial information that will not have material or relative importance differences.

Contact

If you have any questions about our comments, please contact glenif@glenif.org

Sincerely yours,



Hernán P. Casinelli

Chairman

Group of Latin American Accounting Standard Setters (GLASS)