

August 30, 2021

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**Dear Colleagues,**

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IASB and welcomes the opportunity to comment on the Exposure Draft ED/2021/4, *Lack of Exchangeability*.

Below are our comments on the questions raised in the Exposure Draft:

**Answer to Question 1:**

Paragraph 8 specifies that a currency is exchangeable into another currency when an entity is able to exchange that currency for the other currency. This definition needs some refinement to reflect its objective, which in our view is to indicate the availability of the exchange when it is needed. Therefore, we suggest using the wording in paragraph A2 to define exchangeability as follows:

"A currency is exchangeable into another currency at a measurement date when an entity is able to exchange that currency for the other currency within a time frame that includes a normal administrative delay and through a market or exchange mechanism in which the exchange transaction would create enforceable rights and obligations".

Further, we suggest clarifying whether the absence of one of the characteristics of exchangeability in paragraph A2 would indicate a lacking of exchangeability.

**Answer to Question 2 and 3:**

SOCPA notices that the ED includes no requirements or guidance about the estimation techniques to estimate the exchange rate when exchangeability is lacking. It, instead, requires the disclosure of a description of the estimation technique an entity has used. The introduction to the ED indicates that "diverse views on the application of IAS 21 could lead to material differences in the financial statements of entities affected by a currency that lacks exchangeability". Such diverse views may relate particularly to the estimation techniques used to estimate the exchange rate. We suggest the Board to set some guidance about appropriate estimation techniques to estimate the exchange rate when exchangeability is lacking despite the reasons the Board has cited for not doing so. Alternatively, the Board may develop illustrative examples about estimating exchange rate when exchangeability is lacking.

**Answer to Question 4:** SOCPA agrees with the proposed transition requirements for the same reasons stated in the Basis for Conclusions accompanied the ED.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,



**Dr. Ahmad Almeghames**

**SOCPA Chief Executive Officer**