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Re: Exposure Draft Reference to the Conceptual Framework (Proposed amendments to IFRS 3)

Dear Jean-Paul,

We are pleased to have the opportunity to provide our comments on your draft comment letter in response to the IASB *Exposure Draft Reference to the Conceptual Framework (Proposed amendments to IFRS 3)*.

We generally support the proposed amendments to IFRS 3, because the proposals would avoid unintended consequences.

In particular, we agree with the proposal to require an acquirer to apply IAS 37 or IFRIC 21, instead of the 2018 Conceptual Framework, to recognise an obligation assumed in a business combination. That proposal avoids that the acquirer would first recognise those liabilities at the acquisition date and then derecognise them immediately afterwards.

However, we observe that a “day 2 gain” may also occur as a consequence of differences in the measurement requirements, because those liabilities are measured at fair value at the acquisition date and after are measured at the best estimate of the expenditure required to settle the obligation according to IAS 37. This may imply that the margin implicit in the fair value of the provision is recognised in P/L immediately after the business combination. We suggest the IASB to consider whether this “day 2 gain” would depict an economic gain or not, and therefore if it is correct that it is recognised in P/L.

As regards, the IASB’s proposal to add to IFRS 3 an explicit statement that an acquirer should not recognise contingent assets acquired in a business combination, we observe that this proposal confirms the existence of an asymmetrical accounting treatment between contingent assets and contingent liabilities. We are not convinced that such a asymmetry is justified for items being recognised at fair value. In theory contingent assets would affect the consideration given by the

acquirer as well as other assets and liabilities, and therefore its recognition at the date of the business combination is justified. We think that the IASB should reconsider this issue, obviously taking into account that the issue of "day 2 gain" is relevant also for this case.

Finally, we also support the prospective application of the proposed amendments.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò
(Chairman)