



Carta/AMEC/Presi nº 07b/2013

São Paulo, July 5th 2013

To

Mr. Amaro Gomes
International Accounting Standards Board

Re: Adoption of IFRS 10, 11 and 12

Dear Mr. Gomes,

I write you as the CEO of AMEC – the Brazilian Association of Capital Market Investors. Our Association was created on October 26th 2006 by a group of institutional investors – both independent and linked to financial groups. Its main goals are the protection of minority shareholders' rights, and development of Brazilian stock markets. Over its 6 years of operation, AMEC has become the most important forum for institutional investors in Brazil on matters related to corporate governance practices and shareholders' rights.

AMEC's opinions have achieved recognition among investors, companies and regulators for its content and independence. Today our membership is comprised of 59 institutional investors– both local and foreign – with an AUM in Brazilian equities of approximately BRL 500 billion.

A number of our members have called our attention to the impact of the implementation of IFRS 10, 11 and 12 at Brazilian companies. In practice, companies with a significant number of related entities – including controlled, associates and joint ventures – have forfeited the option of implementing proportional accounting, as previously accepted under IAS 31.

This has brought a significant reduction in transparency in many sectors of the Brazilian economy, including real estate and utilities. While IFRS 8 and 12 allow – indeed encourage – the disclosure of additional information that may compensate for the end of proportional accounting, our members have indicated that most companies – following instructions from their auditors – are simply implementing the full consolidation rules of the above mentioned standards. Investors are therefore at a significant loss. Not only are they now unable to fully grasp the economic exposure of the listed entity to its related parties, but also need to toss away their forecast models, as the previous information is not immediately comparable with the new standard.


Amec has therefore decided to petition the Brazilian capital markets regulator (CVM) to mandate the inclusion of proportional accounting as a supplementary information for Brazilian listed companies.

At the same time, we take this opportunity to urge the IASB to consider the detrimental effects of this new standard on the quality of disclosure, and consequently the convenience of additional guidance that may address this issue.

We therefore support the Position Paper issued by Eumedion – our peer organization in the Netherlands – which we attach to this correspondence. We agree that existing standards are proving insufficient to guarantee the best and most useful information to investors, and urge standard setters to consider a return to proportional accounting (IAS 31).

Amec remains available to discuss this matter further, and respectfully asks you to share this document with other members of the IASB.

Yours faithfully,


Mauro Rodrigues da Cunha
CEO