ICGFM The International Consortium on Governmental Financial Management

PO Box 1077
St Michaels, MD 21663
USA
T. 410-745-8570
F. 410-745-8569

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The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2
CANADA

Dear Sir

The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to Exposure Draft 69 "*Public Sector Specific Financial Instruments: Amendments to IPSAS 41, Financial Instruments*" issued August 2019.

1. The ICGFM welcomes the proposed clarifications of the financial instruments as addressed in this ED. However, our view is that the definitions and treatments adopted should as far as feasible be consistent with the IMF Government Finance Statistics (GFS) Manual.

2. We appreciate the opportunity to comment on this Exposure Draft and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Michael Parry at Michael.parry@michaelparry.com or on +44 7525 763381.

Yours faithfully,

Michael Parry

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Chair, ICGFM Accounting Standards Committee

Cc: Lucie Philips, President, ICGFM

Members

Michael Parry, Chair

Osman Ali

Jesse Hughes

Tetiana Iefymenko

Hassan Ouda

Laura Robinson

Specific Matters for Comment	**Comments**
B1.1 Monetary gold	This definition appears to merely confirm that treatment depends on the circumstances in each country. However, GFS is clear that monetary gold is a financial asset (GFS 2014 para 7.125). We would advocate consistency with the GFS treatment. One of the committee members raised an issue concerning monetary gold stored by a monetary authority of another jurisdiction (e.g. Germany keeps a significant part of gold reserve in the Federal Reserve Bank of New York , the Netherlands in the USA, Britain and Canada , Belgium - in the UK, Canada and in the Bank for International Settlements , Austria – in Switzerland and the United Kingdom). Also, in the "monetary gold" definition, the phrase "subject to the effective control of the monetary authorities" needs a clearer definition of effective control, since it is difficult to imagine in practice how the monetary authority of one jurisdiction can control similar authority in the other jurisdiction. For this reason, we propose to add to the monetary gold explanation the following comment: "a monetary authority's statement should disclose the volume of gold located on deposit in other organizations and confirmation that the monetary authority receives a certificate from the independent auditor of such organizations"
Gold bullion	The proposed treatment is not consistent with GFS which distinguishes gold bullion held as monetary gold with gold bullion held for other purposes (GFS 2014 para 7.126). Monetary gold is discussed above. Gold bullion not held a reserve asset is defined in GFS as a financial asset (GFS 2014 para 7.129). We can see no reason to differ from this treatment.
Currency	Since currency is an asset of the holder, the GFS principle of symmetry means it must be a liability of the issuer (IMF GFS para 7.135). Whilst the requirements of symmetry do not apply to IPSAS, the principle remains the same – currency is a financial liability of the issuer. GFS distinguishes between domestic and foreign holdings. Since the latter are only repayable with currency in some other form, they are not in any meaningful sense a liability. But currency held by foreign entities is a liability since it may be converted to some other form, e.g. used to buy government bonds. This treatment is possible under the discretion in the ED, but it is left to the judgement of the reporting entity. We would prefer an approach consistent with GFS.
SDRs	We agree with the proposals in the ED