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International Accounting Standards Board  
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Dear IASB members,

**Invitation to comment – Exposure Draft – Amendments to the Fair value option for Investments in Associates and Joint Ventures: Proposed amendments to IAS 28**

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the International Accounting Standards Board's (IASB or the Board) Exposure Draft IASB/ED/2026/1 *Amendments to the Fair value option for Investments in Associates and Joint Ventures: Proposed amendments to IAS 28* (the ED).

We agree with the IASB's proposal to clarify which entities can apply the fair value election in paragraph 18 of IAS 28, subject to the further clarifications outlined below.

We note that the ED includes an Alternative View which allows the fair value option to be applied by all entities on initial recognition of investments in associates and joint ventures. We believe the Board should undertake a project to consider the merits of this approach. Given the Board's objective to address the identified issues through a targeted and timely amendment, we support the finalisation of the current proposals, subject to the specific comments set out below.

We believe further clarification of the proposals is required to ensure they can be applied consistently in practice. In particular, clarifying the scope of investments to which the fair value option is intended to apply within a reporting entity would help reduce uncertainty in practice. We also consider it important to clarify how paragraph 19 of IAS 28 is expected to operate at the consolidated level with the fair value option and how the use of the fair value option in IAS 28 is intended to interact with the presentation requirements in IFRS 18.

Our more detailed responses to the questions are set out in the Appendix to this letter. Should you wish to discuss the contents of this letter with us, please contact Michiel van der Lof at the above address, or on +44 (0) 20 7951 3152.

Yours faithfully

*Ernst + Young Global Limited*

## Appendix – detailed response to specific questions

### Question 1 – Proposed amendments to paragraphs 18-19 of IAS 28

Paragraphs 18–19 of IAS 28 permit an entity to elect to measure an investment in an associate or a joint venture at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* if the investment is held by a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

The IASB is proposing to amend paragraphs 18–19 of IAS 28 to clarify that similar entities include those that have a main business activity of investing in particular types of assets (as set out in paragraph 49(a) of IFRS 18).

Paragraphs BC1–BC19 of the Basis for Conclusions explain the IASB’s rationale for this proposal. In particular, paragraphs BC9–BC13 explain why the IASB decided not to propose extending the fair value option to all entities.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

- ▶ We agree with the IASB’s proposal to clarify which entities are within the scope of paragraphs 18 and 19 of IAS 28. In our view, connecting this assessment to an entity with a main business activity of investing in particular types of assets, helps to clarify the requirements and improves consistency in practice.

#### *Level of assessment for applying the fair value option*

- ▶ We believe further clarification is needed about the level at which the eligibility to apply the fair value option is assessed. Our reading of the exposure draft is that, consistent with current practice under IAS 28, a parent has a measurement policy choice for investment in associates "*held by, or held indirectly through a venture capital organisation, mutual fund, unit trust and similar entities*". This policy choice applies at the consolidated level regardless of whether the reporting entity has a specified main business activity of investing in particular types or assets. That is, the assessment of main business activity noted within paragraph 18 is made at the level of the entity holding the investment.
- ▶ However, we believe the ED can also be read as requiring the reporting entity to have a main business activity of investing in particular types of assets. Commentary in the basis for conclusion notes "*the IASB concluded that aligning the requirement in paragraph 18 of IAS 28 directly with the requirement in paragraph 49(a) of IFRS 18 would reduce the risk of different interpretations between the requirements in IAS 28 and IFRS 18 and avoid adding further complexity to the requirements in paragraph 18 of IAS 28*". In addition, the dissenting opinion notes "*In their view, it is unclear why an entity that invests in particular assets as a main business activity may elect the fair value option while other entities may not, particularly because the investment in an associate or joint venture is not required to be part of that main business activity of investing in particular assets*". Both comments could be read to imply an assessment at the reporting entity level. However, it is unclear whether this reflects the Board’s intended reading, or how this is intended to align with existing practice. Clarification of this would be helpful, particularly in light of the impact on current practice.

*Application to investments not arising from the main business activity of investing in assets*

- ▶ If the reporting entity has a main business activity of investing in particular types of assets (and this is the level at which the assessment is required as per above), it is also unclear whether the fair value option is intended to be available only for investments that fall within that investing main business activity, or, alternatively, whether it can also apply to investments related to other business activities of the reporting entity. The same question applies at the level of the entity holding the investment (directly or indirectly) if the assessment of the eligibility is to be made at that lower level only. While the proposed amendments, together with paragraphs BC14 and BC16 of the Basis for Conclusions and AV4 of the Alternative Views, appear to indicate a broad assessment of the scope, paragraph B38 of IFRS 18 explicitly states that the assessment is performed at the level of the individual asset.

*Interaction between IAS 28 measurement and IFRS 18 presentation*

- ▶ Paragraph B38 of IFRS 18 states that the classification of income and expenses from investments in associates and joint ventures is performed at the level of the individual asset. As a consequence, if the fair value option is applied more broadly (because the reporting entity has a main business activity of investing in assets and it is not required that the investment is part of this main business activity or because the eligibility can be assessed at the level of the entity holding the investment only), the fair value movements on investments in associates that are not part of the main business activity of investing in particular types of assets at the reporting entity level, would be classified in the investing category. We believe that further clarification would be helpful to explain how the use of the fair value option in IAS 28 is intended to interact with the presentation requirements in IFRS 18 considering the objective of the amendment.

*Other comments*

- ▶ Further clarification would also be helpful about how paragraph 19 of IAS 28 is expected to operate at the consolidated level, particularly depending on whether a narrow or broad view of the fair value option is intended.
- ▶ We also note the following points, which we believe would further help to clarify the requirements:
  - ▶ Paragraph 18 of IAS 28 refers to “venture capital organisation, or a mutual fund, unit trust...”, however these terms are not defined. In light of the proposed amendments and their interaction with the requirements of IFRS 18, we believe that this gives rise to new questions regarding the scope of the fair value option. In particular, it is unclear whether the Board has considered situations in which these specific types of entities do not have a main business activity of investing in particular types of assets. It would be helpful to understand if this would impact the ability for an entity to use the fair value option, and why it is necessary to distinguish between these entity types and those described by reference to a main business activity of investing in particular types of assets.
  - ▶ Paragraph B31 of IFRS 18 identifies investment entities, investment property companies and insurers as examples of entities that invest in assets as a main business activity. In this context, we believe it would be helpful to clarify that references to entities whose main business activity of investing in assets are intended to supplement, rather than redefine, the specific types of entities listed in IAS 28.

- ▶ Paragraph 18 has been amended to add the sentence “similar entities include those ...”. We suggest amending this to change the word “include” to “are”, as using “include” raises further questions about other potential entities it may also be applied to.
- ▶ We acknowledge the Board’s comment in BC18 that the irrevocable nature of the fair value option in IAS 28 should remain unchanged and that this matter is outside the scope of the project. Nevertheless, given that the amendments focus on clarifying the eligibility for applying the fair value option, additional clarification in IAS 28 on how the irrevocable election interacts with changes in an entity’s status (for example, when an entity becomes an investment entity or creates a venture capital organisation) would be helpful to support consistent application.

#### **Question 2 – Effective date and transition**

The IASB proposes that an entity apply the amendments to paragraphs 18–19 of IAS 28 at the same time and on the same basis as it applies IFRS 18.

Paragraphs BC20–BC21 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

- ▶ We agree that the amendments to paragraphs 18 and 19 of IAS 28 should be applied at the same time and on the same basis as IFRS 18. Aligning the effective date and transition requirements is operationally sensible and helps to minimise complexity for entities that apply the fair value option.