STAFF PAPER

November 2014

IFRS Interpretations Committee Meeting

Project	**IAS 21—*The Effects of Changes in Foreign Exchange Rates***		
Paper topic	Foreign exchange restrictions and hyperinflation		
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Introduction

1. The IFRS Interpretations Committee ('the Interpretations Committee') received a submission requesting guidance on the translation and consolidation of the results and financial position of foreign operations in Venezuela when applying IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The issue arises because of strict foreign exchange controls over the exchange of the Venezuelan Bolivar Fuerte (VEF) combined with Venezuela's hyperinflationary economy.

2. The Interpretations Committee discussed the following issues at its meeting in July 2014[1]:

   (a) Issue 1: which rate should be used to translate the entity's net investment in the foreign operation when there are multiple exchange rates?

   (b) Issue 2: what rate should be used when there is a longer-term lack of exchangeability?

3. The Interpretations Committee tentatively decided not to take Issue 1 onto its agenda, because outreach indicated little diversity in practice regarding the principle to use when determining which of multiple rates should be used to

[1] See http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2014/July/AP16%20-%20IAS%2021%20Foreign%20exchange%20restrictions%20and%20hyperinflation.pdf for agenda paper 16 of the July 2014 meeting of the Interpretations Committee.

translate an entity's net investment in a foreign operation. It observed that general practice is to use the exchange rate at which the entity will be able to remit funds from its foreign operations (ie the rate at which future cash flows could be settled when viewing the net investment as a whole), which is consistent with the principle in paragraph 26 of IAS 21.

4. Issue 2 arises because of the longer-term lack of exchangeability of the local currency, which the Interpretations Committee observed to be:

   (a) widespread;

   (b) leading to some diversity in practice; and

   (c) not addressed by the requirements in IAS 21, so that it is not entirely clear how IAS 21 applies in such circumstances.

5. However, the Interpretations Committee tentatively decided not to take Issue 2 onto its agenda, because it felt that the issue is too broad for it to address. The Interpretations Committee noted that the issue might be appropriately addressed as part of the IASB's research projects on foreign exchange translation and inflation accounting. Hence the Interpretations Committee asked for the IASB to be made aware of this issue, which occurred at the IASB's meeting in September 2014.[2]

6. At the IASB's meeting in October 2014, the IASB considered other proposals it had received asking for the IASB to embark on a research project on Foreign Currency Translation, which would include a comprehensive review of the conceptual basis for IAS 21.[3]

7. This paper considers developments since the Interpretations Committee met in July 2014 and asks the Interpretations Committee whether it agrees with the staff recommendation to finalise its tentative agenda decision. In addition, we consider whether the Interpretations Committee should recommend to the IASB that it should address Issue 2 through researching the development of a separate narrow-scope amendment to IAS 21.

[2] See Agenda Paper 12B for the IASB meeting in September 2014.

[3] See Agenda Papers 8A-8A(d) for the IASB meeting in October 2014.

8. This paper provides:

   (a) a summary of the comments received on the tentative agenda decision;

   (b) a summary of related discussions at meetings of the IASB in September and October 2014;

   (c) the staff analysis of:

      (i) new points raised in the comments on the tentative agenda decision;

      (ii) possible implications of the introduction of a third official exchange rate mechanism in Venezuela in March 2014;

      (iii) consequences of the IASB decision regarding its research project on Foreign Currency Translation.

   (d) the staff recommendation to finalise the agenda decision without modification and to consider asking the IASB to consider embarking on a narrow-scope amendment to address Issue 2.

Comments received on the tentative agenda decision

9. We received three comment letters on the tentative agenda decision that was published in July 2014, one of which was from the submitter. These are included in Appendix D.

Issue 1: Multiple exchange rates

10. Two respondents (Deloitte and the Comitê de Pronunciamentos Contábeis (the Brazilian Accounting Pronouncements Committee)) both agree that the principle in paragraph 26 of IAS 21 should apply to the translation of net investments in foreign operations for consolidation purposes. One respondent commented that it believed it would be beneficial to issue an annual improvement to amend IAS 21 to clarify that the principle in paragraph 26 of IAS 21 applies to translations of net investments of foreign operations.

Issue 2: Longer-term lack of exchangeability

11. Two respondents (Deloitte and the Comitê de Pronunciamentos Contábeis) agreed with the tentative agenda that addressing Issue 2 was a broader issue and may be outside the scope of the Interpretation Committee's activities. One of the respondents agrees that it should be the scope of a new project and the other recommended that the issue should be highlighted to the IASB for possible consideration as part of any future project on foreign currency translation.

12. One respondent, also the submitter (Novartis), disagrees with the tentative agenda decision. They believe that the issue need not be solely addressed through consideration of Issue 1 and Issue 2, which are narrowly-defined accounting issues that focus on which exchange rate should be used to translate financial instruments. They ask the Interpretations Committee to reconsider the issue further and attempt to develop a narrow-scope amendment. If the Interpretations Committee consider this to be a broader issue, they ask the Interpretations Committee recommend that it is addressed urgently by the IASB. They note that:

    (a) There is a significant disparity between the IASB's intended results from applying IAS 21 and IAS 29 *Financial Reporting in Hyperinflationary Economies* and the misleading nature of that application in the specific circumstances such as currently exist in Venezuela.

    (b) This is a growing concern for many multi-national companies with operations in high-inflationary economies where there is strong central bank intervention. This is specifically the case in Venezuela, but may become pertinent for other countries in the near future (eg Argentina).

    (c) The need to otherwise wait for the outcome of the IASB's research projects on foreign currency translation and hyperinflationary accounting suggests that any remedy to the acknowledged problem is many years in the future.

13. The respondent is seeking a practical and more timely solution to the issue and has suggested that the Interpretations Committee and/or IASB should consider the following areas for a possible narrow-scope amendment:

(a) remove the requirement in paragraphs 42-43 of IAS 21 to apply an inflationary index to the financial statements of an entity with a functional currency that is of a hyperinflationary economy when including that entity's financial statements in the consolidated financial statements, but only if the official exchange rate clearly does not reflect the local rate of hyperinflation; or

(b) permit in limited circumstances the use of an exchange rate that is derived by proxy (eg an exchange rate that takes into account the interest differential between the local currency and the presentation currency of the parent), to produce on consolidation the probable amounts at which cash from the foreign operation could be repatriated.

IASB discussion

14. The IASB discussed foreign currency-related matters at the following meetings:

(a) in September 2014, the IASB was informed about this specific issue, which is currently under consideration by the Interpretations Committee; and

(b) in October 2014, the IASB considered the proposals it had received asking for the IASB to embark on a research project on foreign currency translation.

15. A summary of the IASB's discussions on these topics is given below.

IASB meeting September 2014

16. As requested by the Interpretations Committee, this issue was raised with the IASB at its meeting in September 2014. The IASB was not asked to make any decisions at that meeting.

17. Not all IASB members spoke at the meeting, but some of the individual IASB members made the following comments and observations:

(a) A few IASB members felt uncomfortable with the tentative agenda decision and thought that possibly the issue should be addressed, perhaps by the IASB through a narrow-scope amendment. They pointed out that the current situation does not appear to present fairly the financial position of the foreign operation in the consolidated financial statements.

(b) A few other IASB members felt that disclosure might be the best solution, because the issue was the consequence of particular economic circumstances and government-enforced restrictions.

(c) A few IASB members noted that the issue seemed to relate to quite specific circumstances and so the applicability of any solution would be reasonably limited. In addition it was observed that the more recent third official exchange mechanism in Venezuela (SICAD II) may largely alleviate the situation, because they understood that it introduces rates that are closer to market rates.

(d) One IASB member thought that it may be possible to derive a solution for longer-term lack of exchangeability by extending the requirement in paragraph 26 of IAS 21. This requirement requires entities to use the first subsequent rate at which exchanges could be made when exchangeability is temporarily lacking.

(e) One IASB member thought that the conceptual basis for the requirements in IAS 21 needed to be addressed first. For example, is the translation of a net investment in a foreign operation a measurement basis?

IASB meeting October 2014

18. At its meeting in October 2014, the IASB held a broader discussion about different requests to:

(a) address a narrow-scope issue on long-term monetary items; and

(b) undertake a comprehensive review of the conceptual basis of IAS 21.

19. As noted in the IASB *Update* in Appendix B, the IASB decided:

(a) not to further develop a proposal for a narrow-scope amendment to IAS 21 that would apply in the rare combination of circumstances in which a currency is thinly traded and there is a financial crisis, causing a period of high volatility for that currency. The proposal questioned whether, in such circumstances, the closing rate used to translate long-term foreign currency monetary items reflects the market's best estimate of future events that affect those currencies.

(b) to retain Foreign Currency Translation in its Research Programme, but as a longer-term project. The IASB intends the longer-term project to focus on the broader issues related to IAS 21, such as performance reporting, rather than on specific narrow-scope issues.

Staff analysis

Issue 1: Multiple Rates

20. One respondent to the tentative agenda decision commented that they believed that it would be beneficial to issue an annual improvement to amend IAS 21 to clarify that the principle in paragraph 26 of IAS 21 applies to translations of net investments in foreign operations. However, no new reasons were put forward that might alter the Interpretations Committee's tentative decision. The tentative decision was based on the fact that outreach indicated that there was little diversity in practice regarding extending the principle in paragraph 26 of IAS 21 to translations of net investments in foreign operations.

21. Hence we recommend finalising tentative agenda decision in respect of Issue 1 as drafted, without modification (see Appendix A).

Question for the Interpretations Committee–Issue 1
Does the Interpretations Committee agree to finalise the tentative agenda decision in respect of Issue 1 without modification?

Issue 2: Lack of exchangeability/broader developments

22. In this section we consider developments since the Interpretations Committee last discussed the issue that might affect the tentative agenda decision made by the Interpretations Committee at that time. These are:

    (a) new points raised in the comments on the tentative agenda decision;

    (b) possible implications of the introduction of a third official exchange rate mechanism in Venezuela in February 2014; and

    (c) consequences of the IASB decision regarding its research project on Foreign Currency Translation.

Comments on the tentative agenda decision

23. We only received one comment letter in support of adding the issue to the Interpretations Committee's or IASB's agenda and this was from the submitter. In addition, the two other respondents, whilst agreeing with the tentative agenda decision, thought that it could be dealt with as a separate project or as part of the IASB's research project. We are concerned that this suggests that there is limited demand amongst stakeholders for the IASB or the Interpretations Committee to urgently address this issue.

24. The arguments put forward by the respondent had already been considered by the Interpretations Committee at its meeting July 2014. However, the respondent has asked us to take a further look at the interaction of IAS 29 and IAS 21, which was not the specific focus of the discussions in July 2014.

25. The respondent has suggested that we should consider two possible areas that could be addressed in a narrow-scope amendment that would apply only in some specific limited circumstances:

    (a) remove the requirement for inflationary adjustments on consolidation; and

    (b) permit the use of an alternative or 'proxy' exchange rate.

Remove the requirement for inflationary adjustments on consolidation

26. The respondent has suggested that the issue could be at least partially resolved, and relatively simply at that, by a narrow-scope amendment. The proposal is to remove the requirement in paragraph 43 of IAS 21 to make inflationary adjustments in accordance with IAS 29 to the foreign operation's financial statements for the purposes of the consolidated financial statements, but this would only apply in circumstances in which the official foreign currency exchange rate (for example the official fixed exchange rate) clearly does not reflect the local rate of inflation.

27. The respondent notes that such a proposal would be a practical solution that reflects the economic circumstances when the official exchange rate does not reflect the local rate of inflation. It is also quite contained and could be easy to apply.

28. However if the solution only applies when there is a fixed exchange rate regime then it could have very limited application. If it applies to some of the other exchange rate mechanisms (eg SICAD I or II in Venezuela) then it could be difficult to determine when it is appropriate not to apply the IAS 29 inflation adjustments on consolidation. Difficulties in determining to what extent a controlled exchange rate does not offset local inflation, could potentially introduce other unintended consequences in the consolidated financial statements.

29. Hence we think that this solution only partially resolves the issue and could possibly introduce some other unintended consequences depending upon the relationship between the exchange rate and hyper-inflation. We think that it would also be difficult to set the scope of proposed exemption from applying the IAS 29 inflation adjustments. We therefore think that this is not the ideal approach to tackle the general concerns under consideration.

30. Finally we note that this solution would require an amendment to permit an exception to a requirement of IAS 21 and the scope of IAS 29, which would need to be undertaken by the IASB.

Permit the use of an alternative or 'proxy' exchange rate

31. We think that if more work was carried out on this issue, it would be preferable to explore the use of an alternative or proxy rate to the official exchange rates that are currently being used in circumstances in which in practice there is a longer-term lack of exchangeability. We think that this issue only arises when there is a longer-term lack of exchangeability because if an official exchange rate at preferential rates was available on an unrestricted basis then, economically, it would be expected that entities would use (and benefit from) that rate.

32. There are challenges to such an approach. In particular, it might be difficult to determine both an appropriate 'proxy' or alternative exchange rate in practice and the scope of the use of such a rate.

33. However, if we are to determine an appropriate exchange rate to use, this might be worth doing because this solution has the potential to most fairly represent the foreign operation in the consolidated financial statements. It might also be more widely applicable for future, as yet unknown, circumstances.

34. In addition, we note that IAS 21 and IFRS 13 *Fair Value Measurement* already contains some principles that could be drawn upon when developing such a solution:

(a) paragraph 26 of IAS 21 states that:

> 'when there are multiple rates, the rate is that at which the future cash flows represented by the transaction or balance *could have been settled if those cash flows had occurred at the measurement date*' (emphasis added);

(b) paragraph 26 of IAS 21 already contains an exception to the use of the spot rate at the reporting date: if exchangeability is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made; and

(c) IFRS 13 provides some guidance on the use of valuation techniques when there is no quoted fair value in an active market.

Introduction of a third official exchange rate mechanism in Venezuela

35. The official exchange rate mechanisms available in Venezuela are summarised in Appendix C. A third exchange rate mechanism (SICAD II) was introduced in March 2014. From informal discussions with representatives from some of the large accounting firms, we understand that such an exchange rate is more likely to be closer to a free market rate and its use may largely alleviate the current tension experienced as a result of using the fixed exchange rate or the SICAD I rate. However, they emphasised that the use of such a rate is judgemental and will depend upon the particular facts and circumstances. For example, consideration would be given to the availability of different exchange mechanisms and past experience of use of the different mechanisms.

36. We reviewed a small number of interim reports for some multi-national groups that have significant operations in Venezuela to obtain an indication of whether in practice there has been a move to use the new SICAD II rate. At 30 September 2014 the SICAD II rate was 50.0 VEF: US$1, compared with the fixed official exchange rate of 6.3 VEF: US$1. This review consisted of six US GAAP reporters and two IFRS reporters. Of these, only one (a US GAAP reporter) had moved to using the SICAD II rate during 2014. In their financial filings, they note that they had exchanged 52 million Bolivars for $1m using the SICAD II rate, but they also expressed their uncertainty over accessing the SICAD II market on a consistent basis in the future. In addition, they were unsure whether the SICAD II exchange mechanism will continue to operate in the future. Four US GAAP reporters and one IFRS reporter had moved from using the fixed rate of 6.3 VEF: US$1 in 2013 to the SICAD I rate, which was 12.0 VEF: US$1 at 30 September 2014. One US GAAP reporter and one IFRS reporter, both in the healthcare sector, have continued to use the official fixed rate for their 2014 quarterly financial reporting.

37. From this small sample, I observe that there appears to be limited use at present of the SICAD II rate for financial reporting. Reasons given by entities in their financial reports include:

(a) legal advice that the SICAD II market is not available for the entity to use to make dividend remittances and consequently it was not used by the entity for financial reporting purposes;

(b) uncertainty over the amount and for what transactions the SICAD II rate will be available;

(c) the lack of exchange transactions using SICAD II and lack of historical experience of the market; and

(d) uncertainty regarding the continued operation of the market.

38. This issue will also be briefly discussed at the Global Preparers Forum at its meeting on 6 November 2914. We will provide an oral update at the Interpretations Committee meeting of any experiences they have to share on the use of SICAD II for financial reporting.

39. If the SICAD II rate were to become more widespread, it is possible that the concerns raised by the submitter would be largely alleviated and there would be no immediate need for an amendment to IFRS. Reasons for moving to the SICAD II rate could be because:

(a) it becomes more available to entities in practice; or

(b) due to the lack of exchangeability through any of the official exchange mechanisms, it is judged to be the most appropriate of the official rates to use because, for example, it may be considered to be closer to a market-driven exchange rate.

Consequences of the IASB decision regarding its research project on Foreign Currency Translation

40. Within the context of its research agenda item on Foreign Currency Translation, the IASB decided:

(a) not to proceed with a narrow-scope proposal to amend IAS 21 to permit the use of an alternative to the closing rate to retranslate long-term foreign currency items in some specific rare circumstances; and

(b) to retain Foreign Currency Translation on its research agenda, but to move it onto a longer-term basis with a focus on the broader issues.

41. The implication of these decisions for the current issue under consideration is that addressing specific narrow-scope amendments such as this, as they arise, would not conflict with that research project.

Staff conclusions

42. In summary:

(a) the response to the tentative agenda decision suggests that there is limited demand amongst stakeholders for the IASB or the Interpretations Committee to urgently address this issue;

(b) the initial reaction about whether the IASB should address the issue from individual IASB members was mixed;

(c) the SICAD II rate is viewed by many as being a better approximation of a market rate than the other official rates. Greater use of the SICAD II rate, if this is possible, could help alleviate the concerns raised; and

(d) suggesting that the issue may be dealt with as part of the IASB's research project will not address the issue in the short to medium term.

43. We think that there are three options for the Interpretations Committee:

(a) finalise the tentative agenda decision;

(b) finalise the tentative agenda decision and recommend that the IASB should consider addressing the issue through a narrow-scope amendment to IAS 21, because the research project is on a longer term basis; and

(c) not finalise the agenda decision at this meeting, but carry out further research to explore and possibly develop a solution (either as an interpretation or a narrow-scope amendment) after consulting further with the IASB.

44. We think that at present we do not have enough evidence to justify embarking on a project to develop a narrow-scope amendment either to permit the use of an

alternative exchange rate when there is a lack of exchangeability or to remove the requirement to apply the IAS 29 inflation adjustments on consolidation when the exchange rate does not reflect the local rate of inflation. This is because of the lack of disagreement with, or even comment on, the tentative agenda decision.

45. However we acknowledge the concerns about the usefulness of the results produced by the application of IAS 21 and IAS 29 in the particular circumstances described in the submission.

46. We do, however, note that use of the SICAD II rate goes some way towards alleviating those concerns. Consequently if the use of this rate was to increase, the short-term need to address this issue that some support may not be so pressing.

Staff recommendation

47. Consequently, we recommend that the Interpretations Committee should finalise its agenda decision without modification except for deletion of the reference to ‘cross-cutting issues’, which have been largely eliminated following the IASB’s discussion of its research project in October 2014.

Question for the interpretations Committee–Issue 2
1. Does the Interpretations Committee agree with the staff’s recommendation that the Interpretations Committee should finalise its decision not to add this issue to its agenda? 2. If the answer to Question 1 is ‘Yes’, does the Interpretations Committee agree with the wording of the final agenda decision in Appendix A of this Agenda Paper?

Appendix A—Proposed wording for the final agenda decision

IAS 21 The Effect of Changes in Foreign Exchange Rate—foreign exchange restrictions and hyperinflation

The Interpretations Committee received a request for guidance on the translation and consolidation of the results and financial position of foreign operations in Venezuela. The issue arises because of strict foreign exchange controls in Venezuela. This includes the existence of several official exchange rates that may not fully reflect the local rate of hyperinflation and of restrictions over the amount of local currency that can be exchanged.

Concerns were raised that using an official exchange rate to translate an entity's net investment in a foreign operation in Venezuela appeared not to appropriately reflect the financial performance and position of the foreign operation in the group's consolidated financial statements.

The Interpretations Committee identified two primary accounting issues:

a) which rate should be used to translate the entity's net investment in the foreign operation when there are multiple exchange rates?
b) what rate should be used when there is a longer-term lack of exchangeability?

With respect to the first issue, the Interpretations Committee observed very little diversity in practice regarding the principle to use when determining which of multiple rates should be used to translate an entity's net investment in a foreign operation. The Interpretations Committee noted that predominant practice is to apply by extension the principle in paragraph 26 of IAS 21, which gives guidance on which exchange rate to use when reporting foreign currency transactions in the functional currency when several exchange rates are available. Hence, despite the issue's widespread applicability, the Interpretations Committee ~~[~~decided~~]~~ not to take the first issue onto its agenda.

With respect to the second issue, the Interpretations Committee observed that this issue is widespread and has led to some diversity in practice. A longer-term lack of exchangeability is not addressed by the requirements in IAS 21, and so it is not entirely clear how IAS 21 applies in such situations. However, the Interpretations Committee thought that addressing this issue is a broader-scope project than it could address ~~(because of related cross-cutting issues)~~. Accordingly the Interpretations Committee ~~[~~decided~~]~~ not to take this issue onto its agenda.

However, the Interpretations Committee noted that several existing disclosure requirements in IFRS would apply when the impact of foreign exchange controls is material to understanding the entity's financial performance and position. Relevant disclosure requirements in IFRS include:

a) disclosure of significant accounting policies and significant judgements in applying those policies (paragraphs 117–124 of IAS 1);
b) disclosure of sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, which may include a sensitivity analysis (paragraphs 125–133 of IAS 1); and
c) disclosure about the nature and extent of significant restrictions on an entity's ability to access or use assets and settle the liabilities of the group, or its joint ventures or associates (paragraphs 10, 13, 20 and 22 of IFRS 12).

Appendix B–Extract from IASB *Update*

IASB *Update*—October 2014

Foreign Currency Translation (Agenda Paper 8A)

On 22 October 2014, the IASB met to discuss whether to pursue a longer-term project on accounting for foreign currency translations, and if so, what would be the scope of such a project. The IASB noted the matters raised by the Korea Accounting Standards Board (KASB). In particular, the IASB discussed:

a. a proposal from the KASB for a narrow-scope amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates* in respect of long-term monetary items;
b. a proposal for a comprehensive review of IAS 21; and
c. other specific narrow-scope issues relating to IAS 21.

Agenda Paper 8A(a): Long-term monetary items

The IASB discussed a proposal for a narrow-scope amendment to IAS 21 that would apply in the rare combination of circumstances when a currency is thinly traded and there is a financial crisis, causing a period of high volatility for that currency. The KASB questioned whether, in such circumstances, the closing rate used to translate long-term foreign currency monetary items reflects the market's best estimate of future events that affect those currencies. The IASB decided not to develop that proposal further.

Agenda Paper 8A(b): Proposal for a comprehensive review

The IASB decided to retain Foreign Currency Translation in its Research Programme, but as a longer-term project. The IASB noted that it would be helpful to have more input from the KASB and other bodies interested in the topic, such as other National Standard-Setters, and that the focus of any work by those bodies should be on the broader issues related to IAS 21, such as performance reporting, rather than on narrow-scope issues.

Agenda Paper 8A(c): Other issues

he IASB considered other narrow-scope issues and other practical issues relating to IAS 21 that have been either:

a. raised with the IFRS Interpretations Committee, but that have not taken onto its agenda; or
b. identified through the work of the Korea Accounting Standards Board.

The IASB decided not to pursue any of the matters further, for the reasons set out in Agenda Paper 8A(c).

All 14 IASB members agreed with these decisions.

Next steps

The IASB asked the staff to liaise with the Korea Accounting Standards Board and other interested bodies to discuss ways in which those bodies could usefully conduct further research on Foreign Currency Translation. The IASB will include Foreign Currency Translation as a topic for its next Agenda Consultation, which is due to start in 2015.

Appendix C—Exchange rate mechanisms in Venezuela

C1. Our understanding is that there are currently the following official exchange rate mechanisms for exchanging the Venezuelan Bolivar Fuerte (VEF):

a. CENCOEX (previously CADIVI): the official fixed exchange rate (6.3VEF/ 1US$) is available to specific industries (companies importing essential supplies) in limited quantities. We have been told that remittances at this rate have been small in practice.

b. SICAD I: a variable rate auction system created in 2013 that is available to entities in specific industry sectors (for non-essential supplies) for a limited volume of VEF. In January 2014 the types of transactions for which SICAD I could be used was expanded to include international investment and finance transactions. The average rate achieved in each auction has been published by the Central Bank of Venezuela since December 2013. At 30 September 2014 the SICAD I rate was 12.0 VEF/1 US$.

c. SICAD II: a regulated variable rate system introduced in March 2014 that permits foreign exchange barter transactions in cash and bonds in the private sector with fewer restrictions. The exchange rate has been published daily by the Central Bank. At 30 September 2014 this rate was 50.0 VEF/1 US$. We understand that this mechanism is intended to more closely resemble a market-driven exchange rate; however, we have been told that to date there have been limited foreign exchange volumes through SICAD II.

Appendix D—Comment letters on the tentative agenda decision

Please refer to the separate pdf document for the comment letters.