

9 September 2026

International Accounting Standards Board
7 West Ferry Circus
Canary Wharf
London E14 4HD
United Kingdom
Email: commentletters@ifrs.org

Dear Sir/Madam

SAICA SUBMISSION ON TENTATIVE AGENDA DECISION: CONTROL ASSESSMENT FOR A SINGLE-INVESTOR FUND (IFRS 10)

In response to your request for comments on Tentative Agenda Decision: Control Assessment for a Single-investor Fund (IFRS 10), attached is the comment letter prepared by the South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of SAICA's Accounting Practices Committee (APC), which comprises members from reporting organisations, preparers, regulators, auditors, IFRS specialists, investment analysts and academics.

We thank you for the opportunity to provide comments on this Tentative Agenda Decision.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Blaise Colyvas
Chairperson: APC

Mulala Ratshitanga
Lead: Financial Reporting

Cc: Kedibone Sono
Head: Financial Reporting

Milton Segal
Executive: Standards



SAICA SUBMISSION ON TENTATIVE AGENDA DECISION: CONTROL ASSESSMENT FOR A SINGLE-INVESTOR FUND (IFRS 10)



The Committee received a request about how an entity—the only investor in a fund other than the fund manager—assesses whether it has delegated decision-making authority to the fund manager, if the fund manager is an agent and does not control the fund.

Fact pattern

The request describes a situation in which an entity (investor) is the only investor in a fund other than the fund manager.

The fund manager:

- a. determined the fund's purpose and design, which is to provide investment opportunities to a number of institutional investors.
- b. has extensive decision-making authority to direct the relevant activities of the fund. The fund manager has the unilateral ability to direct all relevant activities of the fund, including investment decisions, selection and disposal of portfolio companies, appointment of key personnel, contracting, borrowing and policy setting.
- c. receives a market-based fee for its services, commensurate with the services provided.
- d. has a 0.01% investment in the fund.
- e. is an agent, as described in IFRS 10. Although the fund manager has extensive decision-making authority and is exposed to variability of returns from its investment and remuneration, the fund manager's exposure indicates that the fund manager is an agent and does not control the fund.

The investor:

- a. has a 99.99% investment in the fund. Although the fund is open to other institutional investors, the investor is the only investor that subscribed to the fund.
- b. was not involved in determining the fund's purpose and design.
- c. holds only protective rights, as described in IFRS 10. For example, the investor has the ability to remove or replace the fund manager only for cause, such as breach of contract, wilful misconduct or gross negligence.

The fund has a contractually fixed term, during which the investor cannot withdraw its investment from the fund.

Question

The request asks whether, in accordance with IFRS 10, the investor described in the request is automatically deemed to have delegated its decision-making authority to the fund manager. In other words, whether that investor automatically treats the fund manager's decision-making rights as held by the investor directly because it is the only investor in the fund other than the fund manager and the fund manager is an agent.



Applying the requirements in IFRS 10

In considering the requirements in paragraphs 2–18 of IFRS 10, as well as the related application guidance in Appendix B to IFRS 10, the Committee observed that:

- a. other than as specified in paragraphs 4–4B of IFRS 10, an entity (hereafter, investor) that controls other entities prepares consolidated financial statements. Control is the only basis for consolidation—an investor consolidates an investee only if it controls that investee.
- b. assessing whether an investor controls an investee requires judgement, considering all facts and circumstances.
- c. to control an investee, an investor is required to have all three elements of control set out in paragraph 7 of IFRS 10—that is, (i) power over the investee, (ii) exposure (or rights) to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor’s returns. Paragraphs 5–18 of IFRS 10 and the related paragraphs of Appendix B to IFRS 10 include requirements an investor applies in assessing whether it controls an investee.
- d. in assessing control in situations in which an entity has decision-making rights (as in the fact pattern in the request), paragraphs B58–B59 require:
 - i. the decision-maker to assess whether it is a principal or agent. If it is an agent, it does not control the investee. In the fact pattern described in the request, the decision-maker is the fund manager, and the fact pattern assumes the fund manager is an agent.
 - ii. an investor to determine whether the decision-maker is acting as an agent for the investor. If an investor has delegated its decision-making authority on some specific issues or on all relevant activities to an agent, then the investor is required to treat the decision-making rights delegated to its agent as held by the investor directly. Therefore, in the fact pattern in the request, if the investor has delegated its decision-making authority on relevant activities to the fund manager, the investor would treat those decision-making rights of the fund manager as its own decision-making rights.
- e. concluding that an investor holds all the decision-making rights of a fund manager solely because—or automatically if—the fund manager is an agent could result in outcomes that are inconsistent with the control model in IFRS 10.

Consequently, the Committee concluded that being the only investor in the fund other than the fund manager does not, in isolation, mean that the investor described in the fact pattern is automatically deemed to have delegated its decision-making authority to the fund manager. The investor described in the fact pattern is required to consider all the requirements in paragraphs 5–18 of IFRS 10, as well as the related application guidance in Appendix B to IFRS 10 when assessing whether it controls the fund.

Conclusion

The Committee concluded that the principles and requirements in IFRS 10 provide an adequate basis for the investor described in the fact pattern to assess whether it is automatically deemed to have delegated its decision-making authority to the fund manager. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.



SPECIFIC COMMENTS

We note the Committee's conclusion that an investor is not automatically deemed to have delegated its decision-making authority to a fund manager solely because it is the only investor in the fund other

than the fund manager and the fund manager has been determined to be an agent. The Committee further observed that an assessment of control requires judgement and consideration of all relevant facts and circumstances in applying the principles of IFRS 10.

While we do not disagree with the outcome reached in the tentative agenda decision, we believe that the drafting could more clearly communicate the nature of the analysis undertaken. As currently drafted, the agenda decision identifies several considerations relevant to assessing control and explains why automatic attribution of the fund manager's decision-making rights to the investor would be inconsistent with the control model in IFRS 10. However, it is not always clear whether the Committee is establishing a principle, reaching a definitive conclusion on similar fact patterns, or illustrating the factors that entities should consider when exercising judgement.

In our view, the agenda decision would be enhanced by clarifying that the analysis is based on the particular facts and circumstances presented and is intended to illustrate the considerations relevant to assessing control. This would help stakeholders understand that the agenda decision is not establishing a "bright line" rule, but rather identifying factors that should be considered when determining whether decision-making rights held by an agent should be treated as being held by an investor.

We therefore encourage the Committee to make it clearer that the fact pattern is narrow and that the conclusion is reached following an assessment of the specific indicators present in that fact pattern. Additional explanation of the factors that support the judgement, rather than focusing principally on the conclusion reached, would assist preparers in applying the requirements to other arrangements that may have different rights, exposures and governance structures.