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Robert Garnett, Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London EC4M 6XH

Email: ifric@iasb.org

Dear Bob,

IAS 39 *Financial Instruments: Recognition and Measurement* – paragraph AG33(d)(iii)

Deloitte Touche Tohmatsu is pleased to respond to IFRIC's publication in the May 2007 *IFRIC Update* of the tentative decision not to take onto the IFRIC agenda a request on how an entity should identify where the transaction takes place and how to identify what is a common currency.

We support the IFRIC's decision not to take this item onto the agenda but we are not supportive of the wording of the rejection notice. The rejection states that the item was not included on the agenda because any guidance developed would be more in the nature of application guidance than an interpretation. Bearing in mind that an interpretation is not being issued anyway, we believe a statement within the rejection wording could be provided that gives direction for users as to these two questions. Not providing direction could imply that they are alternative acceptable views which we would not accept.

We believe the answer to these questions is relatively simple and therefore can be adequately included within a rejection notice.

Firstly, the objective for splitting out some foreign currency features from the host purchase or sale contract over a non-financial item is to recognise separately those that are not deemed conventional currencies between those particular parties. With respect to external trade, assume Entity A in Country A enters into a contract to acquire a non-financial good from Entity B in Country B in US dollars, and Entity A is determining its accounting for its purchase contract. In assessing whether the US dollar is common Entity A will look at whether it is common generally for Country A to import in US$ dollars and whether it is common generally for Country B to export in US dollars. Because the arrangement is a cross-border transaction, if the US dollar is common in international trade for at least one country, then it is reasonable that the currency feature is not separated (this is similar to the currency feature not being separated out if the denomination of the transaction is in *either* party's functional currency). This guidance ensures that if international trade is generally denominated in US dollars for one country the transaction between the two parties in US dollars is deemed reasonable (in IAS 39 language, for Entity A the economic characteristics and risks of the purchase contract are closely related to the currency feature).

Secondly, "a currency is commonly used" if it is commonly used *either* for internal *or* external transactions in the entity's environment. We believe the standard is clear in this respect.

If you have any questions concerning our comments, please contact Ken Wild in London at +44 (0) 207 007 0907.

Sincerely,

Ken Wild
Global IFRS Leader

cc: Tricia O'Malley, IFRIC Coordinator