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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* – Gaming Transactions

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 for an interpretation on Gaming Transactions.

We support the IFRIC's decision not to take this item onto the agenda and the conclusion included in the draft rejection notice. For gaming institutions we believe that many arrangements between the institution and the counterparty will meet the definition of a derivative as bets will be settled at a future date, have a small relative investment, and have an underlying where the variable is clearly financial (such as financial indices) or may be non-financial but it will almost in all cases be a non-financial variable that is not specific to a party to the contract. This conclusion is also consistent with IFRIC's previous conclusion as expressed in the January 2007 *IFRIC Update* and the IASB's view as expressed in the February 2007 *IASB Update* that non-financial variables that are not specific to a party to the contract are not subject to IFRS 4 but are subject to the definition of a derivative in IAS 39.

We also note IFRS 4.B19 and BC34 make specific reference to gambling transactions. These paragraphs support the inclusion of gaming transactions in IAS 39 as it specifically scopes them out of IFRS 4. We suggest reference is made to these paragraphs in the rejection notice as they support the IFRIC's conclusion.

> "B19 The following are examples of items that are not insurance contracts:
> …
> (d) contracts (such as gambling contracts) that require a payment if a specified uncertain future event occurs, but do not require, as a contractual precondition for payment, that the event adversely affects the policyholder. However, this does not preclude the specification of a predetermined payout to quantify the

loss caused by a specified event such as death or an accident (see also paragraph B13).

BC26 Because the definition proposed in the Issues Paper did not include a notion of insurable interest, it would have encompassed gambling. Several commentators on the Issues Paper stressed the important social, moral, legal and regulatory differences between insurance and gambling. They noted that policyholders buy insurance to reduce risk, whereas gamblers take on risk (unless they use a gambling contract as a hedge). In the light of these comments, the definition of an insurance contract in the IFRS incorporates the notion of insurable interest. Specifically, it refers to the fact that the insurer accepts risk from the policyholder by agreeing to compensate the policyholder if an uncertain event adversely affects the policyholder. The notion of insurable interest also appears in the definition of financial risk, which refers to a non-financial variable not specific to a party to the contract."

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