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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* – Hedging multiple risks with a single derivative hedging instrument

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 whether it is permitted to hedge account multiple risks with a single derivative hedging instrument and if so, how an entity determines hedge effectiveness.

We support the IFRIC's decision not to take this item onto the agenda. We do not believe though that the conclusion in the rejection notice is clear. The rejection notice highlights that IG.F.1.13 and IG.F.1.12 both require an entity to impute notional legs into the hedging instrument for hedge effectiveness purposes in order to separate the instrument when it is hedging multiple risks. The rejection notice goes on to state that IG.C.1 does not permit an entity to create cash flows that do not contractually exist when determining embedded derivatives. The rejection notice closes by stating that IFRIC noted that the issue concerned how to demonstrate hedge effectiveness and therefore we presume IFRIC's conclusion is acknowledging that the guidance in IG.F.1.13 and IG.F.1.12 on hedging overrides the less specific guidance in IG.C.1 on embedded derivatives. If this is the conclusion of IFRIC the rejection notice should be clearer in this respect.

Assuming the rejection notice is consistent with our understanding as stated above we support the conclusion reached by the IFRIC. We acknowledge that it is not the objective of the IFRIC to provide application guidance as to how an entity should determine the imputed legs when assessing and measuring hedge effectiveness and that this is a matter of judgement for reporting entities and their auditors.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Wild", written over a light grey rectangular background.

Ken Wild
Global IFRS Leader

cc: Tricia O'Malley, IFRIC Coordinator