

11 December 2007

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

Email: ifric@iasb.org

Dear Mr Garnett,

Tentative Agenda Decision: IAS 39 *Financial Instruments: Recognition and Measurement* – Scope of IAS 39 paragraph 2(g)

Deloitte Touche Tohmatsu is pleased to respond to the IFRIC's publication in the November 2007 *IFRIC Update* of the tentative decision not to take onto the IFRIC's agenda a request for an Interpretation of IAS 39 *Financial Instruments: Recognition and Measurement* with respect to the applicability of the scope exception set out in paragraph 2(g) only to binding contracts to acquire shares that constitute a controlling interest in another entity and the possibility to apply it to similar transactions.

We support the IFRIC's decision not to take this item to the agenda.

We agree that a business combination must exist or will occur for the scope exception to be applied. We also agree with the IFRIC's remarks on when an entity can conclude that a business combination exists. It is our understanding that the Board acknowledged at the November 2003 meeting that contracts between a buyer and a seller to buy or sell an acquiree at a future date meets the definition of a derivative, but that it should not be accounted for under IAS 39.

We also support the IFRIC's conclusion that the words in paragraph 2(g) in IAS 39 clearly require the parties to the agreement to be committed to a future business combination if the business combination does not already exist. We also believe that a contingency that is within the control of any party to the agreement precludes the reporting entity from using the scope exclusion. We also concur with the conclusion made by the IFRIC that contracts being included in the determination of the existence of control in accordance with IAS 27 *Consolidated and Separate Financial Statements* would be considered part of the business combination.

Furthermore, we welcome the clarification that scope exceptions cannot be applied by analogy to other transactions (e.g. contracts to acquire an associate) and believe that the term 'in a business combination' in paragraph 2(g) of IAS 39 narrows down the applicability of this exception to business combinations only. This is in line with the

current Deloitte position on this issue as we consider scope exceptions as exceptions to a principle and, hence, it follows that any analogies drawn from such exclusions would generally be contradicting the underlying principle. However, we do not believe that an IFRIC Agenda Decision is the appropriate place for such a statement from the IFRIC/IASB. If the IFRIC/IASB is of the opinion clarification on this issue is required, it should provide that guidance within the authoritative pronouncements of the IASB.

If you have any questions concerning our comments, please contact Ken Wild in London at +44 (0)20 7007 0907.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Wild", written over a horizontal line.

Ken Wild
Global IFRS Leader