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Mr Robert Garnett
Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London
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Email: ifric@iasb.org

22 June 2009

Dear Mr Garnett,

Tentative agenda decision: IAS 39 *Financial Instruments: Recognition and Measurement* - Meaning of 'significant or prolonged'

Deloitte Touche Tohmatsu is pleased to respond to the IFRIC's publication in the May 2009 *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* - Meaning of 'significant or prolonged' with respect to providing guidance on how to determine whether an investment in an available-for-sale equity investment is impaired.

We agree with the decision not to take the issue onto the IFRIC's agenda. We broadly agree with the content of the tentative agenda decision but have the following specific comments we request the IFRIC to consider:

- The third bullet point states that the "*IFRIC concluded that an anticipated market recovery is not relevant to the assessment of prolonged*". We agree with this statement, but suggest the inclusion of the term '*significant or…*' prior to '*prolonged*' in the last sentence. As currently drafted it could be read as implying that an anticipated market recovery is relevant in determining whether a fair value loss is significantly below cost which we do not believe is the case. We also believe it could be clearer as to whether IFRIC means that an expected recovery of the market as a whole is not relevant when assessing 'prolonged' or whether an expected recovery of the market value of the considered security is not relevant. We believe an expected recovery of either the market in general, or the specific security, is not included in the assessment of prolonged or significant and the paragraph could be clearer to reflect this.
- The fourth bullet point states that an impairment assessment is determined in the functional currency of the 'entity holding the instrument'. It would be beneficial if the agenda decision made clear whether the impairment assessment determined in an entity's separate financial statements is reconsidered in the group entity's consolidated financial statements when the functional currency of an ultimate parent and subsidiary differ, or when that currency differs

from the presentation currency. Put another way, is the reporting entity in the consolidated financial statements regarded as the entity 'holding' the instrument? This clarification is required as IFRIC 16 indicates that the net assets of the subsidiary are translated into the functional currency of the ultimate parent and therefore depending on the relative strength/weakness of the two functional currencies this may be argued as resulting in a reversal of an impairment loss in the separate financial statements of the subsidiary in the consolidated financial statements, or recognition of an impairment loss in the consolidated financial statements that is not recognised in the separate financial statements of the subsidiary.

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

Yours sincerely,

Ken Wild
Global IFRS Leader