

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

8 April 2009

Dear Mr Garnett,

**Tentative agenda decision: IAS 39 *Financial Instruments: Recognition and Measurement*—  
Participation rights and calculation of the effective interest rate**

Deloitte Touche Tohmatsu is pleased to respond to the IFRIC's publication in the March 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* with respect to providing guidance on the calculation of the effective interest rate for financial instruments containing participation rights.

We agree with the IFRIC's decision not to take this item onto its agenda for the reasons set out in the tentative agenda decision. However, we believe the agenda decision should have additional wording to clarify:

- The importance of assessing the existence of embedded derivatives in such contracts. One of the IFRIC members noted at the IFRIC March meeting that there are hardly any circumstances in which an instrument with the terms and conditions described in the submission would not contain a separable embedded derivative. In this case the issue would not meet the IFRIC's agenda criteria because the issue is not widespread.
- That the IASB is considering a change in the definition of a derivative (which was proposed in the Annual Improvements 2007) to clarify which type of contracts meet that definition. A decision in line with the proposals in Annual Improvements 2007 on this issue has immediate impact on the assessment of the existence of an embedded derivative in the contracts described in the submission as the participation feature is related to the profit or loss for the period of the reporting entity.

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

Yours sincerely,

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

**Ken Wild**  
Global IFRS Leader