

International Financial Reporting Interpretations Committee
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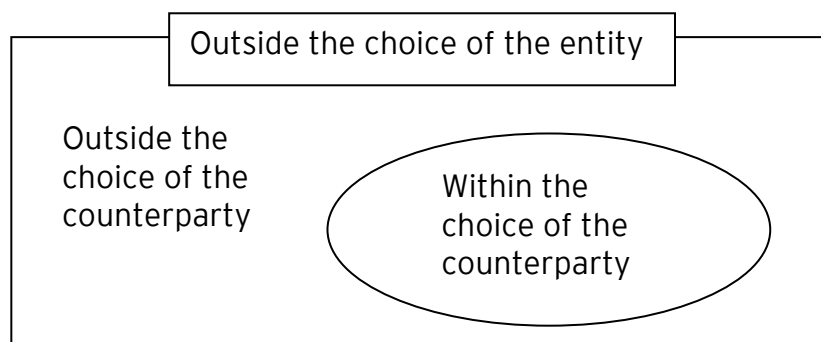
7 December 2009

Dear IFRIC members

Tentative Agenda Decision -Transactions in which the manner of settlement is contingent on future events

The global organisation of Ernst & Young is pleased to respond to the above tentative agenda decision as published in the November 2009 IFRIC Update.

IFRIC was asked for guidance on 'scenarios where the cash settlement is not within the control of either party.' The Staff diagram in paragraph 12 in Paper 7A presented to the IFRIC for the November 2009 IFRIC meeting, reproduced below, is clear that the discussion of the IFRIC focused on scenarios that are outside of the control of the entity AND outside of the control of the counterparty.



The IFRIC issued a Tentative Agenda Decision not to add this issue to its Agenda, noting that 'it would be more appropriate for these issues to be considered collectively as part of a post implementation review of IFRS 2.' While we agree with the IFRIC's decision not to add this issue to its Agenda, we are concerned that the text of the Tentative Agenda Decision does not accurately capture the scenarios that IFRIC actually discussed.

The Tentative Agenda Decision states:

- 'The IFRIC received a request to clarify the classification and measurement of share-based payment transactions for which the manner of settlement is contingent on either:
- ▶ a future event that is outside the control of the entity **OR** the counterparty; or
 - ▶ a future event that is within the control of the counterparty.'
- (Emphasis added)

The first issue (bulleted above) is a future event that is outside the control of **both** the entity **and** the counterparty. The current wording covers events that are outside of the control of either the entity or the counterparty, but not both. Therefore, in the first bullet of the Tentative Agenda Decision, the text should be changed to the following:

- ▶ 'a future event that is outside the control of **BOTH** the entity **AND** the counterparty; or'

Similarly, we noted that the Tentative Agenda Decision states in the third paragraph:

- 'The IFRIC noted that IFRS 2 does not provide guidance on share-based payment transactions for which the manner of settlement is contingent on a future event that is outside the control of **either** the entity **OR** the counterparty.'
- (Emphasis added)

For the reasons above, we believe that the Tentative Agenda Decision should be changed to the following:

- 'The IFRIC noted that IFRS 2 does not provide guidance on share-based payment transactions for which the manner of settlement is contingent on a future event that is outside the control of **both** the entity **and** the counterparty.'
- (Emphasis added)

Should you wish to discuss the contents of this letter with us, please contact Lynda Tomkins at the above address or on +44 (0) 20 7951 0241.

Yours faithfully

