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Mr Robert Garnett
Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
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United Kingdom

Email: ifric@iasb.org

Rome, December 22nd 2009

Re: Comments on IFRIC *Tentative agenda decisions*

Dear Mr Garnett,

The Italian Standard Setter (OIC) is pleased to give few comments on the IFRIC's tentative decision of not add to the IFRIC agenda the issue of IAS 18 – Receipt of a dividend of equity instruments. We appreciated the effort to consider and discuss an issue that became quite relevant in Italy in the last months. The clarification given in the IFRIC update of November will favor a consistency application of the accounting standards in case of dividends distributed in form of treasury shares.

Nevertheless, we think that there are some aspects that might be relevant for the IFRIC to consider prior to take a final decision on such an issue.

As you know, we conducted a survey among the National Standard Setters worldwide on this issue, from which some different positions came out. In the case illustrated, some countries were not convinced that a shareholder might not recognize a gain from dividends received, especially in the contest of its separate financial statements where the investment is measured at cost. The distribution of treasury shares previously acquired in the market by the investee might represent a realization of the investee's retained earnings by the investor in its separate financial statements. If the dividends are not recognized in profit or loss the effect of realization might be improperly shown.

According to the survey conducted, some argue that the transaction analyzed, in certain circumstances, would be the same in the perspective of the investor, if, instead of distribute treasury shares, the investee had sold the shares in the market and immediately distributed the cash obtained from the sale to its shareholders. We are not sure that the argument given in the IFRIC tentative agenda decision is a strong rationale for the position taken. The sentence "*when all ordinary shareholders are issued a dividend of an investee's own equity instruments on a pro-rata basis there is no change in the financial position or economic interest of any of the investors*" is certainly true if the analysis of the issue is limited to the second stage of the operation (the distribution of the treasury shares). If the transaction were analysed in its entirety (first the acquisition of treasury shares in the market, then their distribution), the effects produced might be the same of any ordinary cash distribution.

These comments are given with the aim of contributing to the IFRIC's board review of its tentative decision on this matter, and to ascertain that all the facts and circumstances are considered before decide not to add the issue into the active agenda.

If you have any questions concerning our comments, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò
(Chairman)