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

24 February 2010

Dear Mr Garnett

We are responding to the IFRIC's tentative decision not to take onto its agenda a request for an interpretation of IAS 21 *The Effects of Changes in Foreign Exchange Rates*. This request asked for guidance as to whether the underlying economic environment of subsidiaries should be considered in determining the functional currency of the stand-alone financial statements of an investment holding company. Our apologies for the late submission of our comments; however, we understand that it is possible for them to be taken into consideration.

The request that was submitted set out a specific fact pattern involving an investment holding company that is listed in Hong Kong and raises funds in Hong Kong dollars, which are then invested in operating subsidiary companies, all of which are located in Mainland China, and have Chinese Renminbi as their functional currency.

We note that this type of structure is common, and is not limited to the jurisdictions set out in the submission. It exists for entities in a range of other jurisdictions including Germany, Canada and Australia, and there is diversity in practice in relation to the issue raised. In all cases the debate centres on whether the functional currency of the investment holding company should be determined by taking into account the source of investment income (the operating subsidiary companies) under IAS 21.9, or by looking to the additional indicators in IAS 21.10 on the basis that the criteria in IAS 21.9 do not apply to the investment holding company as a separate entity.

We therefore believe that the IFRIC should reconsider its tentative agenda decision, focus on the example that was submitted, and take this item onto its agenda.

If you would like to discuss any of our comments, please contact Andrew Buchanan at +44 (0)20 7893 3300.

Yours sincerely

Andrew Buchanan  
Global Head of IFRS