Project **Agenda decisions**

Topic **IAS 32 *Financial Instruments: Presentation* - Put options written over non-controlling interests**

Background

1. In July 2010 the IFRS Interpretations Committee (the 'Interpretations Committee') published a tentative agenda decision not to add an item to its agenda relating to how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity.

2. The Interpretations Committee observed, consistent with its observations in November 2006, that paragraph 23 of IAS 32 *Financial Instruments: Presentation* requires the financial liability recognised for an NCI put to be subsequently measured in accordance with IAS 39.

3. The Interpretations Committee also observed that paragraphs 55 and 56 of IAS 39 Financial Instruments: *Recognition and Measurement* require changes in the carrying amount of financial liabilities to be recognised in profit or loss. However, the Interpretations Committee noted that additional accounting concerns exist relating to the accounting for NCI puts.

4. The Interpretations Committee noted that these additional accounting concerns would be best addressed as part of the Board's *Financial Instruments with Characteristics of Equity* (FICE) project and that the agenda criteria were not met.

5. After the September 2010 Interpretations Committee meeting, the issue was discussed by the Board at the September 2010 IASB Board meeting. The IASB Update from this meeting reported that:

> The Board was provided with a summary of the matters arising from the IFRS Interpretations Committee's discussions relating to the accounting for a put option, written over shares held by a non-controlling interest shareholder ('NCI puts').
>
> The Board observed that the IFRS Interpretations Committee had tentatively decided not to add these issues to its agenda but to recommend that the Board should address accounting concerns relating to NCI puts as part of the Financial Instruments with Characteristics of Equity (FICE) project. The Board will consider addressing the accounting for NCI puts as part of the FICE project.

Staff analysis

Views on the tentative agenda decision

6. 13 comment letters[1] were received. 11 of these comment letters agreed with the tentative decision made by the Interpretations Committee, with one comment letter (CL11) supporting action either by the Interpretations Committee or by the IASB Board.

7. One comment letter (CL12) disagrees with the tentative agenda decision. They are concerned with uncertainty relating to both the timing and scope of the Board's project and believe that a separate project on NCI puts could run parallel or precede the FICE project. Furthermore, the comment letter identifies a list of eight practice issues relating to NCI puts that they believe the Interpretations Committee should provide guidance on to reduce diversity in practice.

[1] Deloitte Touche Tohmatsu (CL1), Canadian Accounting Standards Board (AcSB) (CL2), EFRAG (CL3), Mazars (CL4), Michael Straut (CL5), ANC (CL6), KPMG (CL7), acteo (CL8), Capgemini (CL9), Societe Generale (CL10), CESR (CL11), Ernst and Young (CL12) and the Swedish Financial Reporting Board (CL13).

Views on the wording of the tentative agenda decision

8. However, almost all of the comment letters that agreed with the tentative decision expressed concerns relating to the draft wording.

Conflicting standards

9. Eight of the comment letters (CL1, CL3, CL4, CL6, CL8, CL9, CL10 and CL13) argued that the tentative agenda decision should be reworded to identify that a conflict arises between the financial instruments guidance in IAS 32 and IAS 39 and the guidance in IAS 27 *Consolidated and Separate Financial Statements*.

10. These comment letters supported their arguments by:

    (a) expressing concerns as to whether appropriate due process is being followed by issuing a tentative agenda that could be read as an interpretation that the financial instruments guidance and not IAS 27 should be applied despite a perceived conflict in the standards. They note this perceived conflict is evidenced by the existence of significant diversity in practice;

    (b) noting that, despite the perceived conflict between the standards, the tentative agenda decision does not provide any rationale for the reference to changes in the financial liability being recognised in profit or loss in accordance with IAS 39; and

    (c) agreeing with the tentative agenda decision wording to encourage entities to explain their accounting treatment for NCI puts in accordance with IAS 1 *Presentation of Financial Statements*.

Technical arguments

11. Some of the comment letters (CL4 and CL9) expressed support for some of the alternative views described by the staff in agenda papers presented at previous Interpretations Committee meetings.

12. This included the:

(a) recognition of changes in the carrying amount of the financial liability recognised for an NCI put in accordance with IAS 27 rather than IAS 39; and

(b) support for the ‘net liability’ approach tentatively agreed by the Board as part of the FICE project.

Other concerns

13. Other comments raised in the comment letters included whether:

(a) it would be appropriate for an entity to apply the ‘net liability’ approach tentatively agreed by the Board as part of the FICE project and justify it in accordance with IAS 1.17 as a means of achieving fair presentation (CL5).

(b) the intent of the Interpretations Committee is to identify two separate components of the issue in the tentative agenda decision. The first of these components is that current guidance in IAS 32 and IAS 39 is clear relating to changes in the carrying amount of the financial liability. The second component is that other issues relating to the accounting for NCI puts is unclear and should be addressed as part of the FICE project (CL7).

(c) the nature of the ‘additional concerns’ should be more clearly described (CL11).

(d) the reference to IAS 1 implies that an accounting policy choice exists which appears inconsistent with implying that the guidance in IAS 32 and IAS 39 is clear relating to changes in the carrying amount of the financial liability (CL11).

Staff recommendation

14. The staff believe that the intent of the Interpretations Committee in drafting the tentative agenda decision wording was to identify two components of the agenda decision, consistent with that noted in paragraph 13(b).

15. The staff believe that the comment letters are supportive of the approach to the second component of the tentative agenda decision and the recommendation that the Board consider issues relating to the accounting for NCI puts as part of the FICE project.

16. However, the staff are concerned with the responses in the comment letters to the first component of the tentative agenda decision.

17. Specifically, the staff are concerned whether it is appropriate for a tentative agenda decision to imply that current IFRSs are clear and that changes in the carrying amount of financial liability recognised for an NCI put are recognised in profit and loss because of the:

    (a) conflict that some interested parties believe exists between IAS 27 and the financial instruments guidance;

    (b) the significant diversity that exists in practice (specifically in certain IFRS jurisdictions); and

    (c) link that some interested parties believe exists between the additional concerns relating to the accounting for NCI puts (eg the accounting for the initial recognition of the NCI put) and the accounting for changes in the carrying amount of a financial liability recognised for an NCI put.

18. The staff think that if the Interpretations Committee believe it is clear that changes in the carrying amount of a financial liability recognised for an NCI put should be recognised in profit or loss in accordance with paragraphs 55 and 56 of IAS 39 that this should be reflected by either:

    (a) an interpretation;

    (b) a recommendation to clarify the guidance through the *Annual Improvements Process* (AIP); or

    (c) a recommendation to the Board to make a separate amendment to IFRSs.

19. In considering these three alternatives the staff have concerns as to whether the:

(a) clarification meets the AIP criteria, specifically because some respondents to the tentative agenda decision believe a conflict, that is not straightforward, exists between the principles in IAS 27 and IAS 32/IAS 39;

(b) Board would accept a recommendation from the Interpretations Committee to make a separate amendment to IFRSs to address this issue given the current FICE project and the extent of the Board's current agenda; and

(c) Board would ratify an interpretation or support an amendment to IFRSs to clarify this issue. These concerns exist because of the status of the current FICE project and the perception by some interested parties that the issue of changes in the carrying amount of a financial liability for an NCI put cannot be addressed without consideration of other issues relating to the accounting for NCI puts, such as initial recognition.

20. Consequently, the staff believe that if the Interpretations Committee want to communicate that it is clear that changes in the carrying amount of a financial liability recognised for an NCI put should be recognised in profit or loss in accordance with paragraphs 55 and 56 of IAS 39, that this guidance is issued in the form of a short draft interpretation, rather than as part of a tentative agenda decision.

Alternative staff view

21. However, the staff note that 12 of the 13 comment letters received support the Interpretation Committee's tentative decision not to add this issue to the agenda and support a recommendation for the Board to consider the accounting for NCI puts as part of the FICE project.

22. Consequently, as an alternative to proposing an interpretation on the specific issue of whether changes in the carrying amount of a financial liability for an NCI put are required to be recognised in profit or loss in accordance with IAS 39, the staff believe that a revised agenda decision could be finalised. This revised agenda decision could clarify that the Interpretations Committee recommend that this specific issue, as well as the other accounting concerns relating to NCI puts, is addressed by the Board. This would reflect the concerns expressed in paragraphs 17–20.

23. As a result the staff believe that the Interpretation Committee could revise and finalise the tentative agenda decision not to take the issue of accounting for NCI puts onto the agenda. The staff believe that the revised agenda decision wording should:

    (a) explain the rationale for why the guidance in IAS 39 requiring changes in the carrying amount of financial liabilities to be recognised in profit or loss is relevant;

    (b) identify that some perceive that a conflict exists between the financial instruments guidance in IFRSs and IAS 27; and

    (c) recommend that the accounting for NCI puts would be best addressed as part of the FICE project.

Staff recommendation and proposed wording of the final agenda decision
1) Does the Interpretations Committee agree with the staff recommendation to either: i) finalise the agenda decision or ii) draft an interpretation to address the specific issue of changes in the carrying amount of financial liabilities relating to NCI puts? 2) If the Interpretations Committee believe the agenda decision should be finalised, Appendix A includes the staff's proposed wording, marked up for changes from the tentative agenda decision. Does the Interpretations Committee agree with the proposed wording?

Appendix A – Proposed wording for Agenda decision

A1. The staff proposes the following wording as published in the September 2010 *IFRIC Update* for the final agenda decision (added text is underlined and deleted text is struck through):

IAS 32 *Financial Instruments: Presentation* — Put options written over non-controlling interests

The Committee received a request for guidance on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity. The request focuses on the accounting for an NCI put after the 2008 amendments were made to IFRS 3 *Business Combinations*, IAS 27 *Consolidated and Separate Financial Statements* and IAS 39 *Financial Instruments: Recognition and Measurement*.

Consistent with the November 2006 agenda decision,~~T~~the Committee observed that paragraph 23 of IAS 32 requires the financial liability recognised for an NCI put to be subsequently measured in accordance with IAS 39. The Committee also observed that NCI puts are contracts that give rise to financial liabilities and that paragraphs 55 and 56 of IAS 39 require changes in the carrying amount of financial liabilities to be recognised in profit or loss. However, the Committee noted that ~~additional accounting concerns exist relating to the accounting for NCI puts.~~ concerns exist relating to the accounting for changes in the carrying amount of a financial liability for an NCI put and other aspects of the accounting for NCI puts, including initial recognition. This is because of the interaction between accounting standards including the financial liability guidance in IAS 32 *Financial Instruments: Presentation* and IAS 39, and guidance in IAS 27.

The Committee noted that the~~se~~ accounting ~~concerns~~ for NCI puts would be best addressed as part of the Board's *Financial Instruments with Characteristics of Equity* (FICE) project. Consequently, the Committee ~~[~~decided~~]~~ not to add this issue to its agenda but to recommend that the Board should address the interaction between accounting standards relating to the ~~se~~ ~~additional~~ accounting for NCI puts ~~concerns~~ as part of the FICE project. The Committee also observed that it would expect entities to apply the guidance in IAS 1 *Presentation of Financial Statements* in determining whether additional information relating to the accounting for NCI puts should be disclosed in the financial statements, including a description of the accounting policy used.

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Mr Robert Garnett
Chairman
IFRS Interpretations Committee
30 Cannon Street
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Email: ifric@iasb.org

10 October 2010

Dear Mr Garnett,

Tentative agenda decision: IAS 32 Financial Instruments: Presentation — Put options written over non-controlling interests

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the September 2010 IFRIC Update on the tentative decision not to take on to the IFRS Interpretations Committee's agenda a request for an Interpretation of IAS 32 *Financial Instruments: Presentation* with respect to guidance on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity. It is noted by the Committee that the request focuses on the accounting for an NCI put after the 2008 amendments were made to IFRS 3 *Business Combinations*, IAS 27 *Consolidated and Separate Financial Statements* and IAS 39 *Financial Instruments: Recognition and Measurement*.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda. The issue of accounting for all aspects of put options written over NCI in a meaningful way, whether or not written as part of a business combination, is complex and controversial. Consequently, we also support the Committee's recommendation that the Board address this issue either as part of its *Financial Instruments with Characteristics of Equity* project, or if the timing of that project is uncertain, as a separate project. The issue is sufficiently broad and significant enough to warrant the Board's attention and to follow a proper due process.

Whilst we agree with the Committee's proposal not to take the issue onto its agenda, we are concerned with the wording set out in the tentative agenda decision. In November 2006, the IFRIC decided not to add a broader issue of accounting for forwards/put options over NCI on to its agenda, but to clarify that these arrangements are financial instruments within the scope of IAS 39. Since the issuance of the agenda rejection decision, diversity has continued to exist around the world on various aspects of accounting for forwards/put options over NCI. This is because of the interaction between IAS 39 and IFRS 3 before the 2008 amendments and between IAS 39 and IAS 27 after the 2008 amendments (as highlighted in the IASB staff paper n°18 prepared for the September 2010 IASB meeting). However, the tentative agenda decision published in the 2010

September IFRIC Update fails to acknowledge the interaction between IFRSs as they apply to accounting for NCI. The fact that the tentative agenda decision makes no reference to other applicable standards (the tentative agenda decision only makes reference to IAS 39) is unlikely to be helpful in addressing constituents' concerns and perceived conflicts.

Accordingly, we recommend that the agenda decision should be clarified as follows:

"The Committee received a request for guidance on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity. The request focuses on the accounting for an NCI put after the 2008 amendments were made to IFRS 3 *Business Combinations*, IAS 27 *Consolidated and Separate Financial Statements* and IAS 39 *Financial Instruments: Recognition and Measurement*.

<u>Consistent with its November 2006 conclusions</u>, the Committee observed that paragraph 23 of IAS 32 requires the financial liability recognised for a NCI put to be subsequently measured in accordance with IAS 39. The Committee also observed that paragraphs 55 and 56 of IAS 39 require changes in the carrying amount of financial liabilities to be recognised in profit or loss. However, the Committee noted that ~~additional~~ concerns exist relating to the accounting for NCI puts <u>because of the interaction between various standards</u>.

The Committee noted that these ~~additional~~ accounting concerns would be best addressed as part of the Board's *Financial Instruments with Characteristics of Equity* (FICE) project. Consequently, the Committee [decided] not to add this issue to its agenda but to recommend that the Board should address these ~~additional~~ accounting concerns <u>and the interaction between various applicable standards</u>. The Committee also observed that it would expect entities to apply the guidance in IAS 1 *Presentation of Financial Statements* in determining whether additional information relating to the accounting for NCI puts should be disclosed in the financial statements, including a description of the accounting policy used."

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely,

Veronica Poole
Global IFRS Leader - Technical

Accounting Standards Board
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October 7, 2010

(by e-mail to ifric@ifrs.org)

IFRS Interpretations Committee

30 Cannon Street,

London EC4M 6XH

United Kingdom

Dear Sirs,

Re: Tentative agenda decision on IAS 32 *Financial Instruments: Presentation* – Put options written over non-controlling interests

This letter is the response of the staff of the Canadian Accounting Standards Board to the IFRS Interpretation Committee's tentative agenda decision on accounting for put options written over non-controlling interests under IFRS. This tentative agenda decision was published in the September 2010 IFRIC Update.

The views expressed in this letter take into account comments from individual members of the staff of the Canadian Accounting Standards Board. They do not necessarily represent the view of the Canadian Accounting Standards Board or a common view of its staff. Views of the Canadian Accounting Standards Board are developed only through due process.

We agree with the Committee's decision not to add this item to its agenda because we agree that this issue should be addressed by the Board.

We note that at its September 2010 meeting, the IASB agreed to consider addressing the accounting for a put option, written over shares held by a non-controlling interest shareholder, as part of the Financial Instruments with Characteristics of Equity project. We think that the

Committee should ensure that if this issue is not addressed as part of the Board's project, the issue is reconsidered by the Committee.

We would be pleased to provide more detail if you require. If so, please contact Kathryn Ingram, Principal, Accounting Standards at +1 416 204-3475 (e-mail kathryn.ingram@cica.ca).

Yours truly,

Peter Martin

Peter Martin, CA
Director,
Accounting Standards

EFRAG
European Financial Reporting Advisory Group

13 October 2010

Robert Garnett, Chairman
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Garnett,

Re: Put options written over non-controlling interests

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the IFRS Interpretations Committee's ('the Interpretations Committee') tentative decision not to proceed with the agenda item on a request for guidance on the subsequent measurement of put options written over non-controlling interests ('NCI puts') in the consolidated financial statements of a parent entity.

This letter is submitted in EFRAG's capacity of contributing to the Interpretations Committee's due process. EFRAG addresses wordings for rejection published by the Interpretations Committee by exception, i.e. when European constituents express concern that they are expected to have a significant and undesirable effect in practice and EFRAG would share that concern after proper assessment of the wording for rejections. Such circumstances have just arisen with the Interpretations Committee issuing its tentative wording for rejection on NCI puts.

EFRAG agrees with the Interpretations Committee that the subsequent measurement of NCI puts is a matter that warrants action from the IASB because there is significant divergence in practice. In fact, as noted in an IASB Staff Paper from May 2010, the IFRIC was asked in 2005 and 2006 to consider a number of matters that were creating significant diversity in practice relating to the accounting for NCI puts. Although the IASB agreed to address the issues on the accounting for NCI puts in its project on business combinations phase II, the matter was never discussed. However, as no relevant changes were made to IFRSs in this respect, the long-standing issue is still pending.

In our view, it is inappropriate to include interpretations (or use language that can be understood as a partial interpretation of existing IFRS literature) – with potentially widespread consequences – in the wording for rejection on complex, long-running issues. As the wording for rejection does not address in a balanced manner the issue raised with the Interpretations Committee in May 2010 (i.e. the perceived conflict between IAS 27 *Consolidated and Separate Financial Statements* and IAS 32 *Financial instruments Presentation* / IAS 39 *Financial Instruments: Recognition and Measurement*), we believe that the Interpretations Committee should redraft its tentative wording for rejection so that it no longer refers to IAS 32/39.

If you would like to discuss our comments further, please do not hesitate to contact Alessandro Turris, Stuart Studsrud or me.

Yours sincerely

Françoise Flores

EFRAG, Chairman

MAZARS

Chairman

IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH

United Kingdom

Paris, October 8th, 2010

Tentative Agenda Decisions – IAS 32 – Put options written over non-controlling interests

Dear Sir,

We have examined the Committee's tentative rejection for a possible agenda item by which the Committee was asked to provide guidance on the accounting for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling shareholder.

The Committee noted that accounting concerns exist relating to the accounting for NCI puts and tentatively agreed not to add this issue to its agenda but to recommend that the Board should address these additional concerns as part of the FICE project.

The tentative rejection states that paragraphs 55 and 56 of IAS 39 require changes in the carrying amount of financial liabilities to be recognized in profit or loss, but that additional concerns exist relating to the accounting for NCI puts.

We consider that the wording for rejection puts emphasis on one treatment for changes in the carrying amount of the liability (through P&L), although some of the aforementioned 'additional concerns' relate also to this specific issue.

Since the Committee has decided not to add the issue onto its agenda, we believe that the wording for rejection should not specify any accounting treatment that could imply that recording the changes in the carrying amount of the liability in P&L is the right answer to the question for the following reasons:

- The issue of accounting treatment of put options written over non-controlling interests should be considered throughout the life of the instrument (i.e. from issuance to extinction) in order to find a proper solution to the accounting for changes in the carrying amount of the liability;

- The wording used is unlikely to reduce diversity in practice and could create additional difficulty if the final solution retained by the Board is different.

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MAZARS

We do not believe that the accounting for a liability due to IAS 32.23 justifies having a P&L impact.

For example, in the case of a put and a call (both at fair value), the value of the call would be nil (both initially and thereafter). The entity would however be obliged to record a liability according to IAS 32.23.
It is doubtful whether recording the changes in the fair value of the liability in P&L would faithfully represent the economic substance of this transaction (which is that the parent company has only granted an exit opportunity, at a normal price, to the minority shareholder). Moreover, we believe that the outcome would be counter-intuitive: in this example, an unrecognised increase in the value of the subsidiary would result in an increase in the exercise price of the put option. Accounting for an expense when the value of the subsidiary, including controlling interests, has increased does not appear to be relevant.

We also note that the exposure draft on leases obliges an entity to analyze the reasons for which revised lease payments differ from the initial estimate. As a consequence, changes in the liability are not systematically booked to P&L.

Its basis for conclusion states that "although the liability to make lease payments meets the definition of a financial liability, such a liability has features unique to leases because the liability is linked to a right-of-use asset".

Overall, we believe that the accounting for put options written over non-controlling interests is a complex issue, and that any guidance on this matter should only be adopted after extensive analysis.

At this stage, we agree with the Committee's proposal not to add this issue to its agenda but would strongly suggest that reference be made in the Committee's final decision to IAS 27.30, which states that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

In effect, the proposed wording for rejection fails to acknowledge the conflict between IAS 32 / IAS 39 on one part and IAS 27 on the other part.

We hope you will consider our view on this important topic and stay at your disposal to further discuss it. Would you have any request regarding the above comments, please do not hesitate to contact Michel Barbet-Massin (+33 1 49 97 62 27).

Yours faithfully

Michel Barbet-Massin
Head of Financial Reporting Technical Support

IFRS Interpretations Committee
30 Cannon Street
London
United Kingdom

9 October 2010

Dear Committee Members,

Tentative Agenda Decision: IAS 32 Financial Instruments: Presentation — Put options written over non-controlling interests

I am writing to comment on the tentative agenda decision published in the IFRIC update of September 2010 concerning accounting for put options written over non-controlling interests.

The Committee received a request on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity. The submission specifically focuses on subsequent measurement of put option on which the Committee has concluded to follow IAS 39" Financial Instruments: Recognition and Measurement which require changes in the carrying amount of financial liabilities to be recognised in profit or loss. I agree with the Committee's tentative agenda decision on the applicability of the standard for subsequent measurement as the principles in IFRS is clear. As already noted by respected Committee members that certain additional accounting concerns relating to the accounting for NCI puts would emerged and the Committee noted that these additional accounting concerns would be best addressed as part of the Board's *Financial Instruments with Characteristics of Equity (FICE) project*. Consequently, the Committee decided not to add this issue to its agenda.

However the Committee would appreciate the fact that Board's FICE project would take long time for its completion (i.e. it would have long lead time) and during the intervening period the constituent would have no guidance to deal with the matter concerned. The additional accounting issue arise due to gross presentation of put rather than having net basis / derivative accounting. Though the Committee had recommended providing description of the accounting policy used in this regard as additional information relating to the accounting for NCI puts. However, does the Committee consider this as a situation where departure from the requirements of IFRS would be justifiable in terms of paragraph 17 of IAS 1-*Presentation of Financial Statements* in order to clearly portray the economic of transaction by accounting for NCI puts on net basis as solution of the additional concerns noted by the Committee while deliberating the issue is not viable given the current requirements in IFRS.

Should you require any clarification or any input concerning my comment feel free to contact and I shall be pleased to furnish the same.

Yours sincerely,

Michael Straut

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Chairman

Paris, the 4th October 2010

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n°64

Re: IFRIC tentative agenda decision - IAS 32 Financial Instruments: Presentation — Put options written over non-controlling interests

Dear Sir or Madam,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned tentative agenda decision published in the September 2010 IFRIC Update, also reproduced in Appendix 1.

The ANC agrees with and acknowledges the IFRS IC tentative decision not to take onto its agenda the above-mentioned request for interpretation and to refer the request to the Board to be addressed within the Financial Instruments with Characteristics of Equity (FICE) project.

The ANC however disagrees with the wording as drafted and wishes to express the following concerns in this regard.

Failure to present the issue in an appropriate manner

The tentative rejection notice indicates that the request on how to account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity is made in the context of the revised IAS 27 which will be mandatorily applicable as of reporting periods beginning on or after 1st July 2009.

Nothing in the rejection notice indicates the conflict that arises with the introduction of the new standard :

- All changes in non-controlling interest are to be reported within equity under IAS 27,
- Whereas under IAS 32, changes in a financial liability such as a NCI put are to be recognised in accordance with IAS 39 thus, in profit or loss.

The ANC notes however in the Board's Agenda Paper 18 for its 14th September 2010 session that the issue is described in a more comprehensive manner :

> "5. The issue arises because of a perceived conflict between the financial instruments guidance in IAS 32 Financial Instruments: Presentation and IAS 39 and the guidance in IAS 27.

6. The Interpretations Committee observed that some constituents believe, in conformity with the guidance in IAS 32 and IAS 39, that, because a financial liability is initially recognised for the NCI put, subsequent changes in its carrying amount should be recognised in profit and loss.

7. However, the Interpretations Committee noted that other constituents believe that, in conformity with the guidance in IAS 27 on transactions with non-controlling interests (NCI), changes in the carrying amount of the NCI put should be recognised in equity."

Rejection drafting in effect coming to a conclusion

The ANC is concerned that the rejection notice, as drafted could be read as being a positive interpretation, what it is not supposed to be, since the subject has been referred to the Board.

Indeed, having failed to previously mention the existence of a conflict between standards as mentioned above, the Committee presents a partial solution to the issue (the financial instruments standards view), referring only to additional accounting concerns.

In this respect, the ANC considers that the rejection notice should not refer to only one particular method, but should explain the inconsistency between IAS 39 and IAS 27 leading to the referral of the subject to the IASB for consideration.

Conclusion conflicting with an IFRS and the IFRIC Due Process Handbook

Following the above, the ANC considers that the Committee is in effect producing a "quasi-interpretation" which conflicts with another IFRS, which the IFRIC Due Process Handbook §§6-7 specifically prohibits the Committee from doing.

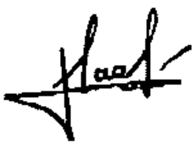
ANC proposals

In view of all of the above, the ANC would suggest that the final wording for rejection :

- Presents the conflict between the two standards as per the afore-mentioned Agenda Paper to the Board ;
- Deletes the paragraph referring to the accounting treatment in accordance with IAS 32/39;
- Indicates that the resolution of the conflict between two standards falls within the remit of the Board, justifying why the issue is referred to the Board in addition to the other accounting concerns that have been identified in the course of the deliberations;
- Indicates that, given the diverging applications identified in practice, entities should explain the accounting treatment applied in accordance with the guidance in IAS 1 Presentation of financial statements.

Should you wish to discuss any of the above, please do not hesitate to contact me.

Yours sincerely,



Jérôme HAAS

Appendix 1 – September 2010 Tentative Agenda decision

IAS 32 Financial Instruments: Presentation — Put options written over non-controlling interests

The Committee received a request for guidance on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder (‘NCI put’), in the consolidated financial statements of a parent entity. The request focuses on the accounting for an NCI put after the 2008 amendments were made to IFRS 3 Business Combinations, IAS 27 Consolidated and Separate Financial Statements and IAS 39 Financial Instruments: Recognition and Measurement.

The Committee observed that paragraph 23 of IAS 32 requires the financial liability recognised for a NCI put to be subsequently measured in accordance with IAS 39. The Committee also observed that paragraphs 55 and 56 of IAS 39 require changes in the carrying amount of financial liabilities to be recognised in profit or loss. However, the Committee noted that additional accounting concerns exist relating to the accounting for NCI puts.

The Committee noted that these additional accounting concerns would be best addressed as part of the Board’s Financial Instruments with Characteristics of Equity (FICE) project. Consequently, the Committee [decided] not to add this issue to its agenda but to recommend that the Board should address these additional accounting concerns as part of the FICE project. The Committee also observed that it would expect entities to apply the guidance in IAS 1 Presentation of Financial Statements in determining whether additional information relating to the accounting for NCI puts should be disclosed in the financial statements, including a description of the accounting policy used.

KPMG

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Mr Robert Garnett
Chairman
IFRS Interpretations Committee
30 Cannon Street
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EC4M 6XH

Our ref MT/288
Contact Mary Tokar

8 October 2010

Dear Mr Garnett,

Tentative agenda decision: IAS 32 *Financial Instruments: Presentation* – Put options written over non-controlling interests

We appreciate the opportunity to comment on the IFRS Interpretations Committee's publication in the September 2010 IFRIC Update of the tentative decision relating to put options written over non-controlling interests (NCI). We write because we have a concern that, compared with our understanding of the Interpretations Committee's decisions, the wording is not clear enough to promote consistent practice.

We understand that there were two separate elements to the Committee's agenda decision, i.e.

- that on subsequent measurement the standards are clear, ie there is sufficient guidance in IAS 32 and IAS 39 to address this issue and that there is no conflict with IAS 27 in this regard; and
- that the other issues relating to the accounting for an NCI put are, under current standards, unclear and do or may involve conflicts between standards and thus the subject would be best addressed as part of the Board's Financial Instruments with Characteristics of Equity (FICE) project.

We believe that if these were the Interpretations Committee's decisions then the wording of IFRIC Update needs to be clearer to distinguish the two separate elements of the agenda decision and also to explain the basis for the Committee's decision that the current standards are clear in respect of the subsequent remeasurement issue by reference to the relevant literature. We believe that such an explanation in the final agenda decision is warranted to make IFRIC's decision clear and to avoid any ongoing diversity in practice.

Furthermore, unlike other similar decisions the wording on subsequent remeasurement includes none of the usual explicit concluding remarks (eg, "... provide sufficient guidance to address this issue. Consequently, the Committee decided not to ..." etc). Thus it may be unclear to some whether the FICE project is the reason for not adding subsequent measurement to the agenda. This lack of clarity is also a consequence of the "however" introducing the second issue which might be read as qualifying the Interpretations Committee's observations on the first issue under current standards. Accordingly we believe some redrafting is required to avoid any confusion in this respect.

Please contact Mary Tokar, on +44 (0)20 7694 8871, if you wish to discuss any of the issues raised in this letter.

Yours sincerely

KPMG IFRG Limited

KPMG IFRG Limited

acteo

Association pour la participation des entreprises françaises à l'harmonisation comptable internationale

Mouvement des Entreprises de France
MEDEF

A F E P

Association Française des Entreprises Privées

Mr. R Garnett,
Chairman IFRS Interpretations Committee,
30 Cannon Street,
London EC4M 6XH

Dear Mr. Garnett,

Re: Tentative IFRIC Agenda Decision –IAS 32 Financial Instruments - Put options written over non-controlling Interests (NCI puts)

This issue arises because of an apparent inconsistency between different standards and it is therefore not a matter of interpretation alone. We agree with the IFRIC Interpretations Committee that the accounting for put options written over non-controlling Interests is such a complex issue that it needs a comprehensive analysis to be carried out by the IASB. Moreover, subsequent measurement is not the only concern that should be addressed by the IASB concerning NCI put options.

However, we are very concerned with the way the rejection notice has been drafted. We believe that the wording of this rejection should be amended and restricted to an explanation of the existing conflict without focusing in an unbalanced way on only one of the standards involved. In our view, the proposed wording is in effect an interpretation which prematurely concludes that IAS 32 and 39 prevail over IAS 27R, whereas no valid consensus was actually reached during the Committee's deliberations. We do not think that this is appropriate.

Finally, we agree with the observation that the guidance in IAS 1 should be applied by entities in determining what information to present on NCI puts.

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Patrice MARTEAU
Chairman

AFEP
Alexandre TESSIER
Director General

MEDEF
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Mr. R. Garnett
Chairman IFRS Interpretations Committee
30 Cannon Street
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England

October 8, 2010

Re : Tentative IFRIC Agenda Decision – IAS 32 Financial Instruments – Put options written over non-controlling interests (NCI puts)

Dear Mr. Garnett,

We welcome the opportunity to comment on the tentative IFRIC Agenda Decision – IAS 32 Financial Instruments – Put options written over non-controlling interests (NCI puts)

In fact and as you probably know, we have just signed a transaction for the acquisition of a 55 % interest in a large IT company in Brazil, with a put option over the remaining 45% interest and are currently working on the accounting treatment of the put option over NCI.

We have reviewed the request for guidance made to IFRIC on this matter and we consider that the issue arises because of an inconsistency between different standards and it is therefore not a matter of interpretation alone. We agree with the IFRIC Interpretations Committee that the accounting for put options written over non-controlling Interests is such a complex issue that it needs a comprehensive analysis to be carried out by the IASB.

We wonder why IAS 27R (which is the most recent standard) should not be applicable to a Puttable Non Controlling Interest and specifically to the remeasurement of the put liability. A put transaction on NCI interests consists precisely of a contract between Controlling Interest and Non Controlling Interest. Accordingly, the remeasurement should be booked in the Controlling Interest reserves.

Secondly, this issue is intended to be addressed by the IASB as part of the FICE project. Therefore, adopting a pure IAS 32 and 39 treatment, with the remeasurement of the put liability in the income statement, would be inconsistent with the current FICE answer. According to the FICE project, a puttable NCI would be splitted out into 2 instruments: a liability derivative instrument for the written put option itself (net liability approach) and the remaining as equity (the main part of the puttable NCI). Moreover, the new IAS 32 standard resulting from the FICE project is expected for 2011 consequently it would be highly inefficient to adopt an income statement approach for the remeasurement of the put liability for a couple of years and then revert back to an equity answer (except for the put option itself) afterwards.

We are very concerned with the way the rejection notice has been drafted. We believe that the wording of this rejection should be amended and restricted to an explanation of the existing conflict without focus in an unbalanced way on only one of the standards involved. In our view, the proposed wording is in effect an interpretation which prematurely arrives at the conclusion that IAS 32 and 39 prevail over IAS 27R and consequently we ask you to delete the paragraph referring to the accounting treatment in accordance with the IAS 32 and 39.

Finally, we agree with the observation that the guidance of IAS 1 should be applied by entities in determining what information to present on NCI puts

With our kind regards

Nicolas DUFOURCQ

Deputy General Manager
Chief Financial Officer

P.O.

8th October 2010

Robert Garnett, Chairman
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Put options written over non-controlling interests

Dear Mr. Garnett,

On behalf of Société Générale, as a preparer of financial statements in accordance with IFRS, I am writing to comment on the IFRS Interpretations Committee ("the Committee") tentative decision not to proceed with the agenda item a request for guidance on how to account for changes in the carrying amount of put options written over non-controlling interests ('NCI put") in the consolidated financial reports of the parent.

We agree with the Committee's tentative decision not to take this item onto its agenda.

But we disagree with the wording of the rejection notice. We believe that the wording of the rejection should be amended and limited to an explanation of the conflict between IAS 39 and IAS 27, without giving pre-eminence to one standard over an other one.

In May, the Committee noted the potential conflict between the financial instruments guidance in IAS 32 and IAS 39 and the guidance in IAS 27 following the 2008 amendments to IFRS 3, IAS 27 and IAS 39. The Committee also described the two different views expressed by constituents and noted that both views were respectively consistent with the guidance in IAS 32 and IAS 39 and with the guidance in IAS 27.

Despite such a clear identification of the potential conflict between different standards, the rejection notice presents IAS 39 as the reference so that the changes in the liability are recognized in the profit and loss. Unfortunately, the Committee does not provide any rationale for such a conclusion and does not even explain the inconsistency between IAS 39 and IAS 27. Since a real conflict has been identified between these two standards, the NCI put issue and the other related accounting concerns should rather be addressed to IASB as part of the Financial Instruments with Characteristics of Equity (FICE) project.

Looking forward to FICE project, we agree with the Committee's observation that the guidance in IAS 1 shall be applied in order to determine the information related to the accounting for NCI puts to be disclosed in the financial statements.

I hope you will find these comments helpful. If you would like to discuss them further, please do not hesitate to contact me at 33 (1) 42 14 04 10.

Sincerely,

Pierre-Henri Damotte

Head of Group Accounting Policies

IFRS Interpretations Committee

30 Cannon Street

London EC4M 6XH
United Kingdom

Date: 15 October 2010
Ref.: CESR/10-1243

RE: IFRS Interpretations Committee's rejection notices published after its September 2010 meeting

The Committee of European Securities Regulators (CESR) has, through its standing committee on corporate reporting (CESR-Fin), considered the tentative agenda decisions of the IFRS Interpretations Committee ("the Committee") regarding IAS 32 - *Put options written over non-controlling interests* (NCI) as published in the September 2010 Update of the Committee.

The Committee invites constituents to provide comments on its tentative agenda decision. We thank you for this opportunity and are pleased to provide you with our comments.

We understand from the Committee's discussions that though the request for guidance received focuses on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ("NCI put"), there may exist an underlying problem stemming from a potential inconsistency[1] between IAS 27 – *Consolidated and Separate Financial Statements* (after the 2008 amendments) and IAS 39 – *Financial Instruments: Recognition and Measurement*.

CESR has some comments on the proposed wording for rejection. The wording does in particular not mention the rationale for the Committee's conclusion. We believe that the Committee's tentative agenda decision should be explicit and provide a clear reflection of its technical judgement. We therefore believe that the Committee should expand on its rationale in its tentative agenda decision.

We further note that the proposed rejection wording refers to *"additional accounting concerns […] relating to the accounting for NCI puts"*. It is not clear to us what is meant by *additional accounting concerns* and would ask the Committee to explain this further or to delete the wording if it has no relevance for the rejection.

Further details might also need to be provided on the last paragraph of the proposed wording for rejection where it is stated that the Committee "would expect entities to apply the guidance in IAS 1 *Presentation of Financial Statements* in determining whether additional information relating to the accounting for NCI puts should be disclosed in the financial statements, including a description of the accounting policy used". CESR believes that this reference to IAS 1 may be interpreted as meaning that there is a choice in accounting policies which do not seem to be consistent with the Board's reference to IAS 39.

[1] This inconsistency was brought to the attention of the IASB after the September 2010 meeting of the Committee. The staff has prepared a description of the various implications of the problem in an agenda paper (AP 18) which was submitted to the IASB during its September 2010 meeting.

CESR agrees with the Committee that the issue is widespread in practice and that divergence can be observed in practice. We therefore believe that the project warrants immediate action and that this can be done by the IFRS Interpretations Committee or by the Board trough its *Financial Instruments with Characteristics of Equity project.*

I would be happy to discuss all or any of these issues further with you.

Yours sincerely,

Fernando Restoy
Chairman of CESR's Corporate Reporting Standing Committee

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International Financial Reporting Standards Interpretations Committee
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11 October 2010

Dear Interpretations Committee Members

Tentative Agenda Decision — IAS 32 *Financial Instruments: Presentation – Put options written over non-controlling interests*

The global organisation of Ernst & Young is pleased to submit its comments on the above Tentative Agenda Decision, as published in the September 2010 IFRIC Update.

The IFRS Interpretations Committee (the Committee) received a request "for guidance on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity."

We strongly disagree with the Committee's tentative decision not to add this issue to its agenda, but to recommend that the Board address these concerns as part of the project on *Financial Instruments with Characteristics of Equity (FICE)*. We believe that the Committee should pursue issuing an Interpretation, and consider additional issues brought to its attention while deliberating this topic. If the Committee does not proceed with developing an Interpretation, we urge the Committee to revise its agenda decision to comment on the compliance of existing practices with IFRS, and to clarify the wording of the agenda decision. Below we will expand on each of these general comments.

Our opposition to deferring this issue in the FICE project

According to the IASB work plan dated 2 July 2010, the FICE project is not estimated to be completed until the second half of 2011. Based on that timeline, we would not expect any consequential amendments resulting from the FICE project to be effective until 1 January 2013, at the earliest. We think that this timeline is too slow, given that this is a current issue, with significant diversity in practice, and which can have a significant financial impact on entities. We also noted that the IASB only stated that it "will consider addressing the accounting for NCI puts as part of the FICE project"[1] – there is no assurance that it will actually do so.

[1] IASB Update, IASB, September 2010, page 6.

Furthermore, we do not believe that the FICE project will adequately address the following issues, as noted by the Staff[2]:

- The issue of which component of equity should be debited when the put instrument is recognised as a financial liability;
- The perceived conflict between IAS 32 *Financial Instruments: Classification* and IAS 27 *Consolidated Financial Statements*; and
- The requirements to account for a forward contract over shares held by a non-controlling shareholder on a gross basis, rather than a net basis.

Furthermore, the FICE project is now going to focus either on (1) amending the requirements of IAS 32 to address practice problems and pursue adopting the amended version in the US or (2) making targeted improvements to US GAAP and IFRS to increase convergence between the two sets of accounting standards.[3] Given that the IASB is now limiting the scope of the FICE project, it is unclear why a project on NCI puts could not run parallel, or even precede the FICE project.

Our request that the Committee pursue an Interpretation

The accounting for NCI puts was first raised with the IASB in 2004. The Interpretations Committee discussed two aspects of that issue again in December 2005. Then in November 2006, the Committee issued two rejection notices related to the accounting over puts and forwards held by minority interests. In both cases, the Committee did not add the item to its agenda. The Committee stated that it "believed that it could not develop guidance more quickly than it was likely to be developed in the Business Combinations project" or "reach a consensus on this matter on a timely basis." We have noted that, while the issuance of IFRS 3 *Business Combinations* eliminated one of the methods that was previously used, there are at least four approaches that remain in practice today.

We believe that to postpone consideration of this issue further, having allowed so much time to pass without addressing them is an abdication of responsibility by the Committee and the IASB. In our view, by not addressing the issue when it was last raised in 2004, the IASB and the Committee have perpetuated diversity in practice for an additional four years. We believe the highest priority of the Committee should be to address situations where diversity in practice exists. Perpetuating this diversity for another three years, until the FICE amendments become effective (assuming the FICE project will indeed address all issues around NCI puts), runs counter to the mandate that the Committee has been given.

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[2] Paragraph 54 of paper 4B for the September 2010 meeting.
[3] IASB Update, IASB, September 2010, page 5I

We agree with the comments made in the original request:

> "In light of previous deliberations, we consider the resolution of this issue to be important for the comparability of financial statements. Based on our experience, the amounts involved are often material and therefore, if this issue is left unresolved, we expect to see a significant impact on comparability of reported profit or loss."[4]

Finally, we noted that paragraph 27 of the IFRIC Due Process Handbook states:

> "If an issue has been considered at **three** meetings and there is still no consensus in prospect for either a draft or final Interpretation, the IFRIC considers whether it should be removed from the agenda. The IFRIC may extend consideration of the issue for an additional period, normally not more than one or two meetings." (Emphasis added)

We noted that the Committee only discussed this agenda request for **two** meetings.[5] The Committee should discuss the issue again, before deferring the project to the FICE team. We believe that the Committee should focus on how to resolve the double-counting of the NCI and the liability recognised.

We believe that the Committee should include the interaction with IFRS 3 (that is, when put options are granted in a business combination) as a part of this project, because, in our experience, that is when put options are most frequently granted. Anecdotal experience this year indicates that companies are using put options with increasing frequency. In particular, we understand that where acquirers previously granted contingent consideration, they now seem to be using put options.

Our request to reduce diversity in practice

If the Committee members believe that they are unlikely to succeed in issuing an Interpretation that provides one definitive answer, at a minimum, we request that the Committee consider the following questions. We believe that the Committee's response may help to reduce diversity in practice, even if not totally eliminating such diversity.

1. Under what circumstances (if any) is it acceptable **not** to recognise a non-controlling interest for the shares underlying the NCI put, and to instead recognise **only** the NCI put liability upon initial recognition? For example, is it acceptable not to recognise a non-controlling interest in the purchase price allocation in a business combination?

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[4] Interpretations Committee Staff Paper 11, Appendix B, May 2010
[5] In July and September 2010 – the issue was presented at the May 2010 meeting – but not discussed in detail.

2. Under what circumstances (if any) is it acceptable to recognise **both** a non-controlling interest for the shares underlying the NCI put, and the NCI put liability, upon initial recognition?
3. Under what circumstances, if any, is it acceptable to de-recognise a non-controlling interest and re-recognise a financial liability at the end of each reporting period, recognising any difference in equity?
4. Under what circumstances, if any, is it acceptable to immediately de-recognise a non-controlling interest (after recognising it in the initial purchase price allocation in a business combination) and recognise a financial liability, recognising any difference in equity?
5. Under what circumstances, if any, is it acceptable **not** to allocate a share of profits and losses to a non-controlling interest, if such shares underlying the non-controlling interest are subject to a put?
6. When there is a regulatory requirement for an acquirer to make an offer to all other shareholders of the acquiree, does this create (a) an NCI put or (b) a liability within the scope of IAS 37, and when does such liability arise (a) according to the regulatory requirement or (b) when the acquirer makes the offer? That is, are shares acquired pursuant to this regulatory requirement considered as part of the business combination in which the acquirer gains control (that is, multiple arrangements that are accounted for as one business combination) or as two separate transactions – an acquisition, and a subsequent acquisition of non-controlling interests?
7. Upon exercise of the NCI put, what is the accounting for the difference between the carrying amount of the NCI put and the consideration paid (if any)?
8. If certain practices are not accepted, or prohibited, what transitional provisions would apply? For example, could an entity recognise any transition adjustment against goodwill?

We are happy to provide you with detailed examples of each of these issues, if needed.

Our request to clarify the tentative agenda decision

We believe that the tentative agenda wording must be clarified to better reflect the Committee's intention. The tentative agenda decision states:

> "The Committee **observed** that paragraph 23 of IAS 32 requires the financial liability recognised for a NCI put to be subsequently measured in accordance with IAS 39. The Committee also **observed** that paragraphs 55 and 56 of IAS 39 require changes in the carrying amount of financial liabilities to be recognised in profit or loss." (Emphasis added)

We are aware that there are at least two readings of this tentative agenda decision:

- An entity is **required** to recognise the change in the NCI put to profit or loss (and is **required to change their accounting policies** accordingly, if necessary) and disclose their account policy for other aspects of accounting for the NCI put; or

- The Committee is providing **an observation** regarding one of the many issues raised in the accounting for an NCI put (i.e., an entity is **not required to change their accounting policies** if the entity's accounting policy does not currently recognise the changes to be recognised in profit or loss).

We believe such diversity in the reading of an agenda decision is undesirable, and request that the Committee clarify the wording.

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Please contact Leo van der Tas on +44 (0)20 7951 3152 if you have any questions regarding the above.

Yours faithfully

Ernst & Young

Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2010:14

International Accounting Standards Board
30 Cannon Street
London EC4M 6 XH
United Kingdom

Dear Sirs,

Re: Put options written over non-controlling interests

The Swedish Financial Reporting Board is responding to your invitation to comment on the IFRS Interpretations Committee (IFRIC) tentative decision not to proceed with the agenda item a request for guidance on how to account for changes in the carrying amount of put options written over non-controlling interests in the consolidated financial statements.

In summary we have the following views

- We agree with IFRICs decision not to proceed with the agenda item and that this is an issue that should be addressed by the IASB.
- IFRIC have not followed the committees' due process as IFRIC cannot reach consensus when there is an identified inconsistency between standards.
- We believe that the IFRIC rejection should be rewritten in order to explain for constituents that there is an identified inconsistency between IAS 27 and IAS 39, which has to be resolved by the IASB, and that IFRIC will not conclude on which standard has precedence.

The issue cannot be resolved by IFRIC and should be addressed by the IASB. Due to the conflict between IAS 27 and IAS 39 there is a large divergence in practice regarding the accounting treatment of written puts over non-controlling interests which needs to be resolved. Whether or not this should be done in the FICE project is a matter of judgement. However if the IASB is uncertain regarding the progress in this project this matter could be considered in a separate project.

It is our understanding that IFRIC in the final rejection notice intends to state that IAS 39 is applicable regarding reameasurement of the financial liability. However there is no basis for how this conclusion was reached. According to the due process handbook the IFRIC cannot reach consensus when a decision would conflict with another IFRS (paragraph 7 of the IFRIC due process handbook). As there is an identified conflict the rejection should be rewritten in way that makes it clear that there is an identified inconsistency between the IAS 27 and IAS 39 and that the issue should be addressed by the IASB. Furthermore it should be made clear that both interpretations that were put forward to the IFRIC are acceptable due to the current wording in the standards.

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Rådet för finansiell rapportering

If you have any questions concerning our comments please address our Executive member Carl-Eric Bohlin by e-mail to: carl-eric.bohlin@radetforfinansiellrapportering.se

Stockholm, 19 October 2010

Yours sincerely

Anders Ullberg
Chairman

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