Accounting Standards Board
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(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 21
***The Effects of Changes in Foreign Exchange Rates* – Repayments of investments**

This letter is the response of the staff of the Canadian Accounting Standards Board to the IFRS Interpretation Committee's tentative agenda decision on the request for guidance on the reclassification of the foreign currency translation reserve when a repayment of a foreign investment occurs. This tentative agenda decision was published in the July 2010 IFRIC Update.

The views expressed in this letter take into account comments from individual members of the staff of the Canadian Accounting Standard Board. They do not necessarily represent a common view of the Canadian Accounting Standards Board or 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 active projects agenda for the reasons provided in the tentative agenda decision. However, we disagree with the Committee's decision not to recommend that the Board clarify paragraphs 48-49 of IAS 21 *The Effects of Changes in Foreign Exchange Rates* as part of the Annual Improvements process.

We think that the fact the Committee has discussed this issue at length and has not come to an agreement is evidence that an Annual Improvement to clarify these paragraphs is needed.

Further, by discussing the two views in a public forum and deciding not to recommend an Annual Improvement, the Committee has, de facto, endorsed both views. Although this endorsement does not create authoritative guidance, stakeholders can use the Committee's discussions and staff papers on this issue to support either view. As a result, divergent interpretations are more likely.

Although we agree with the Committee's objections to the change to paragraph 48D proposed by the staff, we think that the Committee failed to consider separately whether an Annual Improvement is needed and whether a different change would limit divergent views.

After deciding that this issue did not meet the Committee agenda criteria for an Interpretation, the Committee did not explicitly discuss the staff's assessment that the issue met the Annual Improvements criteria. Instead, the discussion focussed on which of the alternative views presented is correct and how the staff could improve its suggested amendment (i.e. adding illustrative examples to explain "absolute" better). As a result, instead of assessing the need for an Annual Improvement, the Committee objected to the changes proposed by staff and continued to try to interpret the standard.

The July 2010 staff paper only identified one alternative for amending the standard through Annual Improvements and did not explore other possible ways the standard could be modified to eliminate the divergence of views. The Committee should always consider several possible options prior to concluding that a consensus cannot be reached and an Annual Improvement is not possible.

Also, the July 2010 staff paper focussed on the issue of "when should the separate foreign currency equity reserve related to the retranslation of the net assets of a net investment (NI) (often referred to as CTA) be recycled" (Staff paper 11, paragraph 4). The staff thereby broadened the issue to deal with all reductions of a net investment in foreign operations and as a result, the Committee began discussing the underlying principle in IAS 21. The Committee then attempted to decide between the "absolute" and "proportionate" views. We do not think that the

Committee needs to interpret the standard to this degree to resolve the issue raised by the submitter.

The staff paper focussed on interpreting the specific words in paragraph 48D that "A partial disposal of an entity's interest in a foreign operation is any reduction in an entity's ownership interest in a foreign operation...." If paragraphs 48-49 are considered as a whole instead of isolating the specific words in paragraph 48D, we think the Committee should be able to clarify the standard without changing or interpreting any underlying principles. Instead of focussing on which view is correct, the focus should be on clarifying what constitutes a "partial disposal." We think that the references to "partial disposal" in paragraphs 48C, 48D and 49 taken together are confusing and result in divergent views. These paragraphs have been amended several times from the original standard including those in the more recent consequential amendments discussed in paragraphs 60A and 60B. The Annual Improvements process should involve revisiting how paragraphs 48-49 have evolved from the original standard and identifying the intentions of the Board when making these amendments.

Therefore, we urge the Committee to reconsider its decision and recommend the issue to the Board for Annual Improvements.

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) or Rebecca Villmann, Principal, Accounting Standards at +1 416 204-3464 (e-mail rebecca.villmann@cica.ca).

Yours truly,

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