

**Appendix B—Comment letters on the tentative agenda decision**

Wayne Upton  
Chairman  
IFRS Interpretations Committee  
30 Cannon Street  
London  
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Email: [ifric@ifrs.org](mailto:ifric@ifrs.org)

22 September 2014

Dear Mr Upton

**Tentative agenda decision - IAS 39 *Financial Instruments: Recognition and Measurement*:  
Holder's accounting for exchange of equity instruments**

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the July IFRIC Update of the tentative decision not to take onto the Committee's agenda a request for guidance on the accounting by the holder of equity instruments in the circumstance in which the issuer exchanges its original equity instruments for new equity instruments in the same entity but with different terms.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

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



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September 29, 2014

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

RE: Tentative agenda decisions open for comment in the IFRIC Update

Dear Board Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee), the standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies welcomes the opportunity to presents comments to the Tentative agenda decisions open for comment in the IFRIC Update.

<i>Standard / Topic</i>	<i>Our Comments</i>
IFRS 12 Disclosure of Interests in Other Entities – disclosure of summarized financial information about material joint ventures and associates	We agree that transparency is fundamental and shouldn't be mitigated, in special non-disclosure information of joint ventures or associate companies.
IAS 16 Property, Plant and Equipment and IAS 2 Inventories – 'Core inventories'	This practice can be important to the calculation of taxes, but despite all range of practices within the industries, this is not significant issue to be added to the agenda.
IAS 16 Property, Plant and Equipment – accounting for proceeds and cost of testing on PPE	We agree with the Interpretations Committee consideration that in the light of its analysis of existing IFRS requirements, IAS 16 and IAS 1 contain sufficient guidance.
IAS 21 The Effect of Changes in Foreign Exchange Rate – Foreign exchange restrictions and hyperinflation	For the first point of the issue, about multiple foreign exchange rates, the principle is explicit on paragraph 26 of IAS 21. For the second point of the issue, about lack of exchange rate for a long time especially in hyperinflation scenarios, we do agree that it is not the subject of IAS 21 and should be a scope of a new project.
IAS 39 Financial Instruments: Recognition and Measurement – holder's accounting for exchange of equity instruments	This is a specific case, which derives from a punctual change in the Law that will not happen in the same way.

We agree with the determination of Interpretations Committee not adding the mentioned issues to its agenda. We also suggest that the Committee revise its due process and does not include topics with a clear response in the literature itself in public hearing nor in the Committee agenda in order to prioritize the most relevant issues.

If you have any questions about our comments, please contact us at [operacoes@cpc.org.br](mailto:operacoes@cpc.org.br).

Yours sincerely,

Idésio da Silva Coelho Júnior  
Chair of International Affairs  
Comitê de Pronunciamentos Contábeis (CPC)

**Wayne Upton  
Chair  
IFRS Interpretations Committee  
30 Cannon Street  
London, EC4M 6XH  
United Kingdom**

**Re: The IFRS Interpretations Committee's tentative agenda decision on IAS 39 *Financial Instruments: Recognition and Measurement* - Holder's accounting for exchange of equity instruments**

Dear Mr Upton,

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to respond to the IFRS Interpretations Committee's (IFRS IC) publication in the July IFRIC Update of the tentative decision related to the application of IAS 39 – *Financial Instruments: Recognition and Measurement*. We are pleased to provide you with the following comments with the aim of improving the consistent application and enforceability of IFRSs.

ESMA has considered the IFRS IC's tentative decision not to add to its agenda the request about the accounting by the holder of equity instruments in the circumstance in which the issuer exchanges its original equity instruments for new equity instruments in the same entity but with different terms.

Whereas ESMA agrees with the IFRS IC that the transaction described in the submission is of a unique nature, we are concerned that the lack of guidance on the exchange of equity instruments, and more importantly, on the broader issue of derecognition of financial assets is leading to diversity in practice.

As ESMA pointed out in its submission related to the accounting for restructuring of Greek government bonds<sup>1</sup>, IAS 39 does not provide sufficient guidance on accounting for the exchange or modification of financial assets. Although ESMA understands that the IFRS IC could not analyse a particular transaction or provide specific guidance on it, we are of the view that guidance on the accounting for modification of

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<sup>1</sup> Letter to the IFRS IC: Accounting exposure to Greek sovereign debt, ESMA, April 2012 (ESMA/2012/248)



financial assets and on the assessment of expiry of contractual rights to cash flows for equity instruments is needed in order to avoid diversity in accounting for this type of transactions<sup>2</sup>.

Even though no diversity in practice was identified in relation to the particular transaction described in the submission, the examples of accounting for Greek sovereign debt and accounting for increase of share capital of an entity from its reserves provide evidence that although this type of transactions is not widespread, it can have a significant impact on a number of entities and their reported financial performance.

Furthermore, in the current economic environment, it is expected that other significant transactions that include modification of financial assets will occur in the near future, thus increasing the risks that divergent accounting practices will become entrenched.

For all these reasons, and in order to promote transparency, achieve consistent application of IFRS and to set standards that are enforceable, ESMA urges the IFRS IC to reconsider its decision and refer the broader issue to the IASB to be addressed comprehensively.

We would be happy to discuss these issues further with you.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'S/M', written over a light blue horizontal line.

Steven Maijoor  
Chair  
European Securities and Markets Authority

Cc: Hans Hoogervorst, Chair, International Accounting Standards Board

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<sup>2</sup> Letter to the IFRS Interpretations Committee on tentative agenda decision on IAS 39 *Financial Instruments: Recognition and Measurement* – Accounting for different aspects of restructuring Greek government bonds, ESMA, August 2012 (ESMA/2012/465)