



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

12 October 2010

Dear Mr. Garnett,

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

I am writing on behalf of BUSINESSEUROPE to comment on the tentative decision of the IFRS Interpretations Committee (the Committee) not to take this matter onto its agenda.

While we agree with the Committee's decision not to proceed with this request for an interpretation and to refer it instead to the IASB, who are better suited to resolve the existing conflict between two accounting standards which has led to divergence in practice, we have significant concerns with the way the tentative agenda decision has been worded. Our concern is that the rejection has been worded in such a way that the second paragraph of the notice (appended to this letter) can be read as a statement of what the acceptable accounting approach is, that is, it appears to be an Interpretation.

We note that the rejection notice does not mention the existing conflict between the revised IAS 27 and IAS 32 but implies that it is just a matter of interpretation of IAS 32 and IAS 39. Given the conflict between the relevant standards and the recommendation to refer this matter to the IASB for resolution, we think that it is inappropriate for the Committee to word its rejection notice in this unbalanced way. We therefore request that the Committee present and explain the conflict between the two standards in a neutral and balanced way in order not to create a *de facto* Interpretation which will inevitably create a precedent. We note that the agenda papers presented to the IASB at its meeting of 14 September 2010 on this topic provided a suitable balanced description of the issue.

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.

Yours sincerely

Jérôme P. Chauvin
Director
Legal Affairs Department
Internal Market Department



APPENDIX

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.