



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<sup>1</sup> 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.

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<sup>1</sup> 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.



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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 through 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