



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.

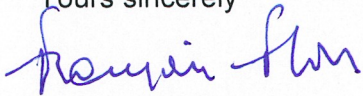
EFRAG agrees with the Interpretations Committee that the subsequent measurement of NCI puts is a matter that warrants action from the IASB because there is significant divergence in practice. In fact, as noted in an IASB Staff Paper from May 2010, the IFRIC was asked in 2005 and 2006 to consider a number 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.

Put options written over non-controlling interests

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