

Mr Wayne Upton  
Chairman  
IFRS Interpretations Committee  
30 Cannon Street  
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United Kingdom  
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28 November 2012

Dear Mr Upton,

**Tentative agenda decision: IAS 39 Financial Instruments: Recognition and Measurement – Income and expenses arising on financial instruments with a negative yield – presentation in the statement of comprehensive income**

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretation Committee's publication in the September 2012 *IFRIC Update* of the tentative decision not to take onto the IFRIC's agenda a request for interpretation of the appropriate presentation in the statement of comprehensive income of interest resulting from a negative effective interest rate on a financial asset.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda but do not believe that the absolute position taken (i.e., that these amounts are neither interest income nor interest expense) is appropriate as it assumes that the negative yield results from the issuer charging a custodian fee for safeguarding the holder's money. This may not be the case in every scenario as there might be other circumstances leading to a negative yield.

This question could only be fully resolved following a project to consider thoroughly what is, and is not, included in the effective interest rate calculation in the variety of circumstances that might result in a negative yield on a financial asset. We do not believe that such a project should be undertaken as negative yields on financial assets are unlikely to form a significant part of entities' financial performance.

As a result, we believe that the agenda decision should retain its analysis of the requirements of IAS 1 (on the requirement to present additional information relevant to an understanding of an entity's financial performance) and observe that, in the absence of any definitive guidance on the presentation of negative interest, judgement should be applied in determining the appropriate classification within profit or loss.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'V. Poole', written in a cursive style.

**Veronica Poole**  
Global IFRS Leader  
Technical