

6 February 2019

Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
United Kingdom

Dear Ms Lloyd

Tentative agenda decision – IFRS 9 *Financial Instruments*: Credit enhancement in the measurement of expected credit losses

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the November IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification on whether the cash flows expected from a financial guarantee contract or any other credit enhancement recognised separately in the financial statements can be included in the measurement of expected credit losses of the financial asset to which it relates.

We agree with the IFRS Interpretations Committee's conclusion that if a credit enhancement is required to be recognised separately by IFRS Standards, an entity cannot include the cash flows expected from it in the measurement of expected credit losses. However, we note that IFRS Standards do not specifically address when separate recognition of a purchased credit enhancement is required. We believe that without clarification in that respect, divergence of views may persist on whether a purchased credit enhancement is required to be separated and so indirectly could lead to divergence in the extent to which entities include the expected cash flows from such arrangements in the measurement of expected credit losses. We encourage the IFRS Interpretations Committee to consider whether further guidance can be provided on when it is that a credit enhancement is required to be recognised separately under IFRS Standards.

In any case, if finalised, the agenda decision should be revised to remove references to the fact that the credit enhancement "is required to be recognised separately by IFRS Standards" because of the absence of such requirements and instead simply referred to credit enhancement that "is recognised separately".

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