

Mr Robert Garnett
Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London
United Kingdom
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Email: ifric@iasb.org

11 February 2010

Dear Mr Garnett,

Tentative agenda decision: IAS 21 *The Effects of Changes in Foreign Exchange Rates* - Determination of functional currency of an investment company holding

Deloitte Touche Tohmatsu is pleased to respond to the IFRIC's publication in the January 2010 IFRIC Update of the tentative decision not to take onto the IFRIC's agenda a request for an Interpretation of IAS 21 *The Effects of Changes in Foreign Exchange Rates* with respect to providing guidance on whether the underlying economic environment of subsidiaries should be considered in determining the functional currency of an investment holding company.

We disagree with the IFRIC's decision not to take this item onto its agenda as we believe that the IFRIC did not address the specific fact pattern raised by the request for interpretation. The submission referred to the application of IAS 21 *The Effects of Changes in Foreign Exchange Rates* in situations in which the investment holding company:

- is registered in a country with and raising capital in one currency; and
- derives its investment income from a number of operating subsidiaries all of which have the same functional currency, which is different from that of the investment holding company.

While overly-simplified, this basic case is crucial in establishing the principles applied when determining the functional currency for an investment holding company. Fundamentally, the question is whether one should consider the currency of the underlying subsidiaries that generate investment income or view the investment holding company in isolation, i.e. as the primary indicators set out in paragraph 9 of IAS 21 are not present, should the focus be only on the secondary indicators set out in paragraph 10 of IAS 21.

This is a real life and common issue which is of particular concern in the Asia-Pacific region (e.g. an investment holding company raises funds in Hong Kong in Hong Kong dollars with the majority of its subsidiaries operating in the Mainland China with Renminbi as their foreign functional currencies). Therefore, we urge the IFRIC to reconsider its tentative decision, address the specific fact pattern described in the submission and take this item onto its agenda.

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', with a stylized flourish at the end.

Veronica Poole
Global IFRS Leader - Technical