

Wayne Upton  
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7 April 2014

Dear Mr Upton

**Tentative agenda decision - IAS 32 *Financial Instruments: Presentation*: Accounting for a financial instrument mandatorily convertible into a variable number of shares subject to a cap and a floor**

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the January IFRIC Update of the tentative decision not to take onto the Committee's agenda the accounting for a financial instrument that is mandatorily convertible at a stated maturity date into a variable number of its own equity instruments to equal a fixed cash amount (subject to a cap and a floor).

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision. However, we are concerned that the third paragraph of the tentative agenda decision could be interpreted as suggesting that a separate embedded derivative be recognised for each of the cap and the floor. As the cap and the floor both relate to price risk and are not independent of each other then, in accordance with paragraph AG29 of the Application Guidance to IAS 39 *Financial Instruments: Recognition and Measurement*, we would expect a single compound embedded derivative to be recognised.

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