OICU-IOSCO

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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August 21, 2012

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom

Our Reference2012/JE/C1/IFRIC/76

RE: Draft IFRIC Interpretation: Put Options Written on Non-controlling Interests

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Committee on Issuer, Accounting, Auditing and Disclosure (C1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Draft IFRIC Interpretation - Put Options Written on Non-Controlling Interests (the draft Interpretation).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of C1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus of the members of C1. They are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

<u>Question 1 – Scope</u>

The draft interpretation would apply, in the parent's consolidated financial statements, to put options that oblige the parent to purchase shares of its subsidiary that are held by a non-controlling-interest shareholder for cash or another financial asset (NCI puts). However, the draft interpretation would not apply to NCI puts that were accounted for as contingent consideration in accordance with IFRS 3 *Business Combinations* (2004) because IFRS 3 (2008) provides the relevant measurement requirements for those contracts. Do you agree with the proposed scope? If not, what do you propose and why?

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Response:

The draft Interpretation does not clearly identify whether puts on non-controlling-interests written by a parent entity below the ultimate parent are within the scope of the proposed guidance. The draft interpretation should clarify that "parent's consolidated financial statements" includes the ultimate parent and a parent entity below the ultimate parent.

<u>Question 2 – Consensus</u>

The consensus in the draft interpretation (paragraphs 7 and 8) provides guidance on the accounting for the subsequent measurement of the financial liability that is recognized for an NCI put. Changes in the measurement of that financial liability would be required to be recognized in profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*. Do you agree with the consensus proposed in the draft interpretation? If not, why and what alternative do you propose?

Response:

We support the draft interpretation as it will reduce existing diversity related to the accounting for these transactions.

We understand from discussions held by the Board in May 2012 with respect to the agenda consultation that the Board unanimously supported initiating a research programme on "Financial Instruments with characteristics of equity". As the Board proceeds with research on this topic we encourage the Board to consider the potential interaction with this draft interpretation.

Sincerely,

Julie A. Erhardt
Chairman
IOSCO Committee 1
International Organization of Securities Commissions

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