

20 August 2018

Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
United Kingdom
E14 4HD

Dear Ms Lloyd

**Tentative agenda decision - IAS 21 *The Effects of Changes in Foreign Exchange Rates*:
Determination of the exchange rate when there is a long-term lack of exchangeability**

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the June IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification on the determination of the exchange rate used to translate the results and financial position of a foreign operation when there is a long-term lack of exchangeability between the functional currency of the foreign operation and the reporting entity's presentation currency.

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 and with its decision to explore standard-setting in this area, although we believe that to address the facts that (as stated in the tentative agenda decision) economic conditions are constantly evolving and that different conditions exist in different jurisdictions this research should not focus solely on the current situation in Venezuela. Restrictions on currency exchange (of varying degrees of severity) are a feature of many economies and IAS 21 provides little guidance on how to address such circumstances, either in retranslating a foreign operation or retranslating individual monetary items denominated in a currency subject to such restrictions (for example, when the law allows for the use of an exchange mechanism to settle some balances, but not others).

As such, we recommend that any standard-setting activity address currency restrictions in a holistic manner, addressing both retranslation of foreign operations and individual monetary items and exchange restrictions ranging from restricted, but functioning, exchange mechanisms to a severe and ongoing lack of any legal means of exchange (as currently observed in Venezuela).

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 blue ink, appearing to read 'V. Poole', with a stylized flourish at the end.

Veronica Poole
Global IFRS Leader