

20 August 2018

Sue Lloyd Chair IFRS Interpretations Committee Columbus Building 7 Westferry Circus Canary Wharf London United Kingdom E14 4HD Deloitte Touche Tohmatsu Limited Hill House 1 Little New Street London FC4A 3TR

Phone: +44 (0)20 7936 3000 Fax: +44 (0)20 7583 0112 www.deloitte.com/about

Direct phone: +44 20 7007 0884

vepoole@deloitte.co.uk

## 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte Touche Tohmatsu Limited is a private company limited by guarantee incorporated in England & Wales under company number 07271800, and its registered office is Hill House, 1 Little New Street, London, EC4a, 3TR, United Kingdom.

## **Deloitte.**

Yours sincerely

**Veronica Poole** 

Global IFRS Leader