

May 30, 2014

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

**RE: IFRIC Paper Topic - IAS 39 Financial Instruments: Recognition and Measurement - Classification of a hybrid financial instrument by the holder**

Dear Board Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)<sup>1</sup> welcomes the opportunity to respond to the IFRIC Paper Topic - IAS 39 Financial Instruments: Recognition and Measurement - Classification of a hybrid financial instrument by the holder.

We are a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies.

**Background of the issue**

The IFRS Interpretations Committee (the 'Interpretations Committee') received a request to clarify the classification of a hybrid financial instrument with a revolving maturity option, a nearly settlement option and a suspension of interest payments option (all at the option of the issuer) by the holder. Specifically, the submitter raises a question if the host of such financial instrument should be classified by the holder as an equity or as a debt instrument under IAS39 Financial Instruments: Recognition and Measurement.

Based on the responses to the outreach request the Interpretations Committee observed that the issue is not widespread.

The Interpretations Committee also noted that the financial instrument under issue is too specific and the issue cannot be addressed by the Interpretations Committee in an efficient manner.

Regarding the question whether the instrument should be classified before or after identifying embedded derivatives, the Interpretations Committee noted that IFRS 9 Financial Instruments would not require bifurcation for hybrid contracts with financial asset hosts and a holder would be required to classify the instrument as a whole. As a result, the Interpretations Committee considered that developing accounting guidance on this issue would not be effective for a reasonable time period.

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<sup>1</sup> The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), BMFBOVESPA (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).

The Interpretations Committee considered that its agenda criteria are not met. Consequently the Interpretations Committee decided not to add this issue to its agenda.

### **Our comments**

We conclude that the rationale exposed by the Interpretations Committee to decide not to require an interpretation or an amendment to IFRSs is consistent and conceptually reasonable. It is important to note that the pattern presented by the submitter is also not found in Brazil.

Thus, we support the decision made by the Interpretations Committee related to this project, however, we believe, due to the complexity of this matter, the IFRIC should consider performing a more comprehensive project to provide general guidance of the classification of hybrid financial instrument in general, including providing more examples of complex instruments and related classification.

If you have any questions about our comments, please contact us at [operacoes@cpc.org.br](mailto:operacoes@cpc.org.br).

Yours sincerely,



Idésio da Silva Coelho Júnior  
Chair of International Affairs  
Comitê de Pronunciamentos Contábeis (CPC)