



Mr. R Garnett,
Chairman IFRS Interpretations Committee
30 Cannon Street,
London EC4M 6XH

15 December 2010

Dear Mr. Garnett,

Re: Tentative agenda decision: IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Inclusion of own credit risk in the discount rate

During its November 2010 meeting, the IFRS Interpretations Committee (hereafter "IFRIC") discussed a request for the clarification, if either the discount rate or the estimated future cash flows used to measure a provision under IAS 37, can or should be adjusted for the entity's own credit risk.

The IFRIC commented on this in its tentative agenda decision published in the November 2010 IFRIC Update and noted that paragraph 47 of IAS 37 states that "risks specific to the liability should be taken into account in measuring the liability" and that IAS 37 would not be clear whether an entity's own credit risk should or should not be included in the discount rate as a "risk specific to the liability".

From the IFRIC Staff papers, the underlying submission attached to these papers and the IFRIC exchange of views during the November 2010 meeting we understand that some believe that, based on the discussions the IASB had in connection with the measurement of financial liabilities, it could be argued that credit risk should be considered as a risk specific to a provision.

BUSINESSEUROPE believes that credit risk is not a risk specific to a provision and that the measurement of a provision is fundamentally different to the measurement of a financial liability. We therefore strongly support view B of the IFRIC Staff paper and believe that IAS 37 is clear in this respect and should not be impacted by discussion on only distantly related issues (i.e. the measurement of financial liabilities in the scope of IAS 39 / IFRS 9) or by guidance under US GAAP.

Yours sincerely

Jérôme P. Chauvin
Director
Legal Affairs Department
Internal Market Department

APPENDIX

IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Inclusion of own credit risk in the discount rate (published in November 2010 IFRIC Update)

The Committee received a request for interpretation of the phrase ‘risks specific to liability’ and whether this means that an entity’s own credit risk (performance risk) should be excluded from any adjustments made to the discount rate used to measure liabilities.

The Committee observed that paragraph 47 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets states that ‘risks specific to the liability’ should be taken into account in measuring the liability, but that the guidance is not clear about whether an entity’s own credit risk should or should not be included in the discount rate as a ‘risk specific to the liability’.

The Committee noted that this request for guidance would be best addressed as part of the Board’s project to replace IAS 37 with a new liabilities standard, and that the Board is already considering the request for additional guidance to be incorporated into this new standard. Consequently the Committee [decided] not to add this issue to its agenda.

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