

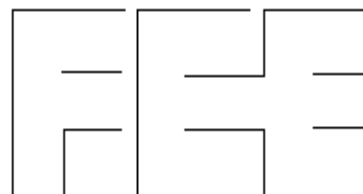
Date
31 October 2006

Le Président

Fédération
des Experts
Comptables
Européens
AISBL

Avenue d'Auderghem 22-28
1040 Bruxelles
Tél. 32 (0) 2 285 40 85
Fax: 32 (0) 2 231 11 12
E-mail: secretariat@fee.be

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street, 1st floor
LONDON EC4M 6XH
UNITED KINGDOM



Email: commentletters@iasb.org.uk

Dear Sir David,

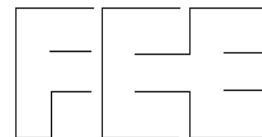
Re: IASB Exposure Draft of Proposed Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation*

FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) is pleased to submit its views on the IASB Exposure Draft of Proposed Amendments to IAS 32 and IAS 1 on Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation. FEE as a founding organisation of EFRAG has also contributed to the EFRAG consultation process by submitting our views on their preliminary comments.

We support IASB's efforts to address the issue of the classification of instruments with characteristics of equity that are puttable by the holder or are issued with a contractually limited life. We recognize the need to improve IAS 32 regarding the classification of instruments between financial liabilities and equity. However, we share EFRAG's reservations about the amendments expressed in their comment letter. Moreover, the amendment is too narrow in its application to justify an exception to the principles of IAS 32: to be of value the amendment needs to be broadened to a wider group of entities including partnerships and cooperatives whose issued instruments would not meet the present proposed criteria for equity classification in the exposure draft.

Our main concerns are detailed below:

- The amendments are very narrow and limited to specific issues. We believe it will be difficult to apply it in practice and there might be a risk of financial engineering to fit other products within the new categories. The consequences would be that similar types of instruments would not be accounted for the same way.
- We share the Alternative View expressed in the Exposure Draft. The proposals are inconsistent with the Framework. If the definitions in the Framework are not appropriate, they should be revised through a comprehensive debate. If the Framework is based on principle-based concepts, it should be possible to cope with minor deviation.
- It is very much rule-based. We are of the opinion that principle-based standards should not be adjusted to fix the problems of one type of financial instruments products such as covered in the ED, without considering the issues for similar types of financial instruments.
- The implications of these amendments are not clear. The Basis for Conclusions does not sufficiently explain the background of the issue and the reasons for making an exception. If it has a wider implication for entities around the world using IFRS, it is appropriate for IASB to deal with it.



However, this proposal does not sufficiently address, among other things, all of the concerns of European partnerships and cooperatives.

- The need to review the distinction between liability and equity in a wider sense is important and urgent for entities applying IFRS in Europe.

However, we are aware of ongoing discussions in some European countries that the proposed amendments of IAS 32 with some clarifications on the notion of fair value of puttable shares, notably on the meaning of the fair value of a pro-rata share of the net assets of the entity could help to avoid the accounting anomalies which result from the application of the current standard for many partnerships and other entities. It has been pointed out that the draft amendment, properly clarified, is at least a step into the right direction for such entities. Thus it needs to be considered whether this advantage outweighs the above-mentioned conceptual problems so that the proposed amendments can be accepted as a short-term interim solution until the review of the Framework including new definitions of equity and liabilities is developed. We are also aware that the proposed amendments to IAS 32 need to be changed or clarified in specific points, notably concerning the meaning of fair value.

In conclusion, we have conceptual difficulties with the proposed Exposure Draft. If the proposed amendments are to be implemented despite the comments raised, we are of the opinion that this could only be seen as an interim solution and the scope should be widened to address the concerns of other constituents.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin', written in a cursive style.

David Devlin
President