

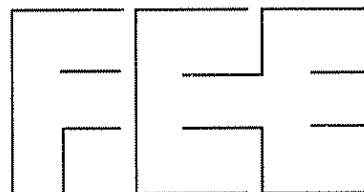
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Secrétariat
Général

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

Mr. Stig Enevoldsen
Chairman
Technical Expert Group
EFRAG
Avenue des Arts 13-14
1000 BRUXELLES



commentletter@efrag.org

Dear Mr. Enevoldsen,

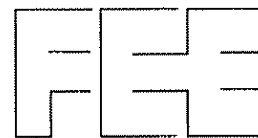
Re: EFRAG draft comment letter on IASB Exposure Draft of Proposed Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements: Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation*

FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) is pleased to submit its views on the EFRAG draft comment letter 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.

We share many of your reservations about the amendments. 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 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 is at least a step into the right direction for such entities. Thus we have to consider 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.



We have the following comments on your draft comment letter:

- EFRAG may want to review the tone of its letter. It seems a bit hard and it may not be appropriate for the continuing cooperation between EFRAG and IASB.
- If a standard is so broken, it should be a priority to fix it even though it continues to be part of the long-term conceptual project. If this issue has a wider impact, we could support IASB's decision to amend the standard. We agree on the need to consider the change of the Framework since such project may bring some conceptual solutions to the problems in the longer term.
- Regarding the second bullet point, we agree that this proposal is a deviation from the Framework. However, one could question what do you consider as "minor changes resulting in deviations from the current Framework". We suggest clarifying this part of the sentence.
- The argument that the amendments are rule-based is for us clearly a major one and it should be brought earlier in EFRAG's letter.
- The paragraph starting by "The Basis for Conclusions argues that the existing requirements are affecting the relevance and understandability" is not clear to us and is not necessary in the response.
- We suggest that EFRAG deletes the last paragraph of the answer to Question 4, as we believe the argument is inappropriate if EFRAG does not support the proposed changes.

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. We agree with EFRAG's suggestion that 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 'Petr Kriz', written in a cursive style.

Petr Kriz
Deputy Chairman FEE Banks Working Party