

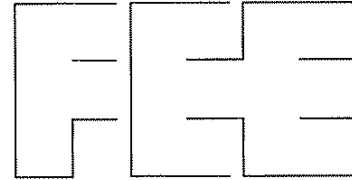
Date
30 June 2004

Le Président

Fédération
des Experts
Comptables
Européens
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Chairman
Technical Expert Group
EFRAG
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c.c. Mr. Paul Rutteman

Dear Mr. Enevoldsen,

Re: Draft Endorsement advice on Amended IAS 32 Financial Instruments: Disclosure and Presentation

FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) supports the EFRAG draft letter to Dr Alexander Schaub recommending the adoption of the International Financial Reporting Standard on Financial Instruments, Disclosure and Presentation as published by the IASB on 17 December 2003.

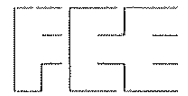
In its position paper "Call for Global Standards" IFRS" published on 4 June 2004, FEE calls for global standards and emphasises the need for 'endorsed IFRS' being the same as IFRS. The endorsement process should not be used as a means to create European standards. Only global standards will meet the wider objectives of financial stability, efficiency and transparency and provide the benefits of increasing confidence in financial markets, facilitating global investments and reducing cost of capital.

We stress the importance of adopting IAS 32 regardless of the decision taken in relation to the adoption of IAS 39. However, in our opinion it may be difficult in practice; to apply the amended IAS 32 without applying the amended IAS 39.

We have taken note of IFRIC's work on the specific issue of the classification as debt or equity of members' shares in co-operative entities and we welcome IFRIC's intention to publish a draft interpretation. We intend to provide EFRAG with our views when it will be published.

The classification of partnership capital is also an issue under the current provisions of IAS 32 in common law jurisdictions. The right of partners to withdraw partner capital is different, in an economic sense, from the right of shareholders of a corporation to receive dividends and does not in itself signify that the capital is a liability, economically speaking. The situation is acceptable in the short term but this issue need be taken into consideration in a future revision of IAS 32.

The paragraph in EFRAG's letter on preference shares is not clear. We suggest that EFRAG should clarify the issue and the circumstances they are referring to. EFRAG seems to imply that the basic concepts in IAS 32 needed to be analysed and interpreted beyond the application guidance in AG 25 and AG 26. For example the reference to Board of Directors' discretion is felt to be confusing. We feel raising such interpretation is not appropriate in an endorsement letter. If there is need for interpretation on the classification of preference shares, EFRAG should refer the issue to IFRIC.



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

Yours sincerely,

David Devlin
President