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Organización Internacional de Comisiones de Valores
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March 17, 2008

Exposure Draft of Proposed Amendments to IFRS 2 and IFRIC 11
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Proposed Amendments to IFRS 2 and IFRIC 11 *Group Cash-settled Share-based Payment Transactions*

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (the IASB) December 2007 Exposure Draft of Proposed Amendments to IFRS 2 and IFRIC 11 *Group Cash-settled Share-based Payment Transactions* (the Exposure Draft). IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

The proposed amendment to IFRS 2 provides that IFRS 2 applies to arrangements in which an entity's parent (or another entity in the group) has incurred a liability to transfer cash or other assets for amounts that are based on the price (or value) of the equity instruments of the entity, its parent, or another entity in the group to parties that have supplied goods or services to the entity. We agree with the proposed amendment and believe that share-based payment arrangements provided by an entity's parent (or another entity in the group) should be accounted for under IFRS 2, whether settled in equity or cash. The proposed amendment to IFRIC 11 provides that such arrangements should be measured by the subsidiary in accordance with the requirements applicable to cash-settled share-based payment transactions, as set out in IFRS 2. Since the arrangements described in the proposed amendment will be settled in cash or other assets, we agree that such arrangements should be accounted for as cash-settled.

We believe the guidance provided in the Exposure Draft will provide clarification that will be useful to companies. We also agree with the proposed transitional provision, which is consistent with the

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transitional provisions in IFRS 2. We do, however, recommend that the IASB clarify the following areas:

- Paragraph 11B of the proposed amendment to IFRIC 11 provides that any *changes* in the fair value of the parent's liability be recognized in profit or loss and in the subsidiary's equity as adjustments to contributions from the parent. We suggest that the IASB clarify whether the fair value of the liability incurred by the parent should also be recognized as a liability by the subsidiary (and subsequently recognized in the subsidiary's equity as a contribution from the parent when settled) or whether the amount should initially be recognized in the subsidiary's equity, similar to the changes in the fair value of the parent's liability. Some members of Standing Committee No. 1 are concerned that a liability may be recognized by a subsidiary when that subsidiary itself does not have an obligation to make the required cash payments to its employees. Accordingly, those members believe that the fair value of the liability incurred by the parent should initially be recognized in the subsidiary's equity as a contribution from the parent and not as the subsidiary's liability. Other members believe the fair value of the liability incurred by the parent should be recognized as a liability by the subsidiary until the liability is settled by the parent (at which point the settlement would be recognized in equity as a contribution from the parent) since the actual contribution is not made by the parent until settlement.

- We suggest that the IASB clarify whether IFRS 2 also applies to those cash-settled share-based payment transactions provided by shareholders other than the parent, similar to the provision in paragraph 3 of IFRS 2 for equity instruments. Since paragraph 3A of the proposed amendment to IFRS 2 refers only to liability arrangements provided by an entity's parent (or another entity in the group), we suggest that it also refer to all shareholders of the entity, similar to paragraph 3 of IFRS 2 for equity arrangements.

We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,

Julie A. Erhardt
Chair
IOSCO Standing Committee No. 1