

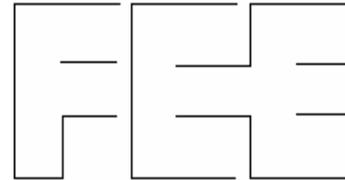
Date  
30 April 2008

Le Président

Fédération  
des Experts  
Comptables  
Européens  
AISBL

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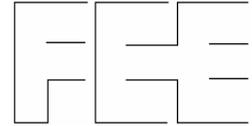
Dear Mr. Enevoldsen,

**Re: EFRAG's request for comments on its assessments of the amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Instruments "Puttable Financial Instruments and Obligations arising on Liquidation"**

1. FEE (Fédération des Experts Comptables Européens – Federation of European Accountants) appreciates the request to comment on the assessments of the amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Instruments "Puttable Financial Instruments and Obligations arising on Liquidation" ("the amendments").
2. We support EFRAG providing a positive endorsement advice and we broadly agree with the assessments formulated by EFRAG, without detailed examinations of the proposals and underlying assumptions.

***EFRAG's assessment of the amendments to IAS 32 and IAS 1 against the endorsement criteria***

3. We support EFRAG's assessment of the amendments to IAS 32 and IAS 1 against the endorsement criteria, recommending the adoption of the amendments published by the IASB on 14 February 2008.
4. In our letter to the IASB dated 31 October 2006, we detailed our main concerns regarding the Exposure Draft of Proposed Amendments to IAS 32 IAS 1; namely potential inconsistencies with the Framework, the need to review the distinction between liability and equity in a wider sense, the lack of clarity over any implications and narrow scope of the amendments, as well as an emphasis on the need to have more principles-based standards.
5. However, we also noted that the amendments could help reducing the accounting anomalies for many partnerships and other entities applying the current standard and we viewed the amendments as a step into the right direction for such entities. We therefore suggested accepting the amendments until the review of the Framework including new definitions of equity and liabilities is developed.
6. Like EFRAG, we note that the main issues identified on the Exposure Draft of Proposed Amendments to IAS 32 IAS 1 are currently being addressed by the IASB at the conceptual level (as part of its project on the Framework) and at the standards level (through a research project which considers ways to improve and simplify the classification of equity and financial liabilities in IAS 32.). In addition, we agree with EFRAG that at the heart of the criteria in the amendments for determining the classification of puttable instruments, there is a difference of substance, as the focus is on the identification of whether the puttable instruments represent a residual interest. We consider that this is a step towards having more principles-based standards.



7. In addition, the IASB's recently issued Discussion Paper on *Financial Instruments with Characteristics of Equity* introduces new ways of looking at financial instruments.
8. We agree with EFRAG that the process of having completely new IFRSs to resolve all the issues identified in the commenting process of the exposure draft would take some years. Therefore, we accept the IASB's decision to amend IAS 32 to provide a limited exception to the existing requirements, at least as a short-term solution pending the outcome of its longer-term projects.

***EFRAG's evaluation of the costs and benefits of the amendments to IAS 32 and IAS 1***

9. We broadly agree with the evaluation of the costs and benefits of the amendment to IFRS 2 as provided by EFRAG but have not carried out a detailed examination.

**Assessment Process**

10. As set out in our letter of 24 January 2008 to the European Commission (EC) we believe that, in the current financial reporting environment, Europe needs to make every effort to prevent the creation of new deviations from IFRS and to solve in a concerted effort with the IASB the IAS 39 carve-out. Furthermore, it needs to avoid to the extent possible any timing differences caused by delays in the endorsement mechanisms. Non-endorsement would call into question the EU commitment to the transatlantic dialogue with the US and may lead to less rather than to more EU influence in the standard setting process.
11. In our letter to the EC we underlined our understanding that the EC will only undertake effect studies for potential sensitive changes of standards, new standards and new interpretations during an interim period, until the IASB itself develops impact assessments and feedback statements. In future, we recommend such impact assessment be undertaken early in the standard setting process and not when the actual Standard is issued.
12. An enhanced due process for the IASB and IFRIC, improved governance of the IASB and timely and high quality European influence early in the standard setting process should result in international standards and interpretations that are acceptable for Europe. This European influence is expected to be exercised at, or before, exposure draft stage. EFRAG was created for that purpose and has the full support of FEE. As a due process is in place, at both IASB and EFRAG levels, these processes are expected to result in standards that are suitable for positive endorsement.

**Endorsement**

13. FEE supports the endorsement of the amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Instruments "*Puttable Financial Instruments and Obligations arising on Liquidation*".

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

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jacques Potdevin', written over a horizontal line.

Jacques Potdevin  
President

Ref: ACC/JP/LF