



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

8 September 2009

Our ref: ICAEW Rep 94/09

Your ref:

Sir David Tweedie  
Chairman  
The International Accounting Standards Board  
First Floor  
30 Cannon Street  
London  
EC4M 6XH

Dear Sir David

### **CLASSIFICATION OF RIGHTS ISSUES - PROPOSED AMENDMENT TO IAS 32**

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on exposure draft ED/2009/9 *Classification of Rights Issues - Proposed Amendment to IAS 32*, published by the Board in June 2009.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

We note that many instruments with similar features to rights issues fail the 'fixed-for-fixed' test, and therefore fail to be treated as liabilities - for example, convertible instruments denominated in a foreign currency. Other issuing arrangements - for example, market placings - are also affected. We agree that IAS 32 does not deal satisfactorily with these issues (although it is perfectly clear from the current wording of IAS 32 that the instruments should be treated as a liability, so the proposed amendment should not be described as a clarification).

The standard has been in place for some years and, in our view, it would have been preferable for the Board to address the whole area of 'fixed-for-fixed' transactions, evaluating the full extent of the problem, and to then develop a principles-based solution. We believe that by addressing just one aspect of the problem, questions arise as to why this particular issue should be addressed and not other 'fixed for fixed' issues in the wider context of the accounting delineation of debt and equity. We hope that the Board will address these issues as part of its ongoing debt-equity project.

Nevertheless, although IAS 32 is clear, and although inconsistencies will arise for similar transactions, we agree that the accounting result for a foreign currency rights issue does not make sense. In that regard, we are content for these proposals to be implemented.

Please contact me if you would like to discuss any of the points raised in this response.

Yours sincerely

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