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Sir David Tweedie  
Chairman  
International Accounting Standards  
Board (IASB)  
30 Cannon Street  
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October 17, 2002

### **Private Equity Proposed Amendments to IAS 27**

Dear Sir David:

Thank you for your letter of 2 October 2002 to the Rt. Hon. The Lord Brittan of Spennithorne QC DL

We are concerned that we may not have communicated our arguments forcefully enough because they do not appear to have been taken into consideration in the drafting of your letter. In particular, we believe that the proposed amendment to IAS 27 to require the consolidation of UBS' private equity investments would seriously impair the quality of our financial statements.

At UBS the clarity and transparency of our financial reporting is of paramount importance to our reputation. A requirement to consolidate private equity investments which are being managed with a view to sale would, we believe, significantly impair the presentation of UBS' business through our financial statements and hence adversely impact investors' understanding of UBS.

We also believe it important that Accounting Standards provide a consistent and level playing field by reference to which companies should prepare their financial statements. We firmly believe there is an inconsistency between the proposed IAS 27 and the proposed IAS 28 where a specific "relief" is provided for venture capital investments in associated companies. Our view is that private equity investments should be accounted for at fair value (in accordance with IAS 39) under both IAS 27 and IAS 28.

UBS remains of the opinion that private equity investments should be exempt from consolidation as they are purchased with the intention for disposal and are managed and evaluated by the investor on a fair value basis. The fair value basis for accounting best represents the substance of private equity business. Hence, as noted above, this is the basis on which we propose all private equity investments should be shown in financial statements.

We believe that it is possible to develop criteria to distinguish private equity investments from other investments based on how private equity investments are made and managed. Criteria could include the designation of a private equity investment at inception, a formal plan of disposal, segregation of the

investee from the investor's operations, and an ongoing assessment of management's plan to dispose of the investment, for further details please see our letter dated September 12<sup>th</sup> 2002.

UBS has adopted IAS as its primary accounting framework in 1998 and is one of the biggest and most important IAS preparers, apart from probably being the largest financial services company applying IAS. UBS has supported the IASB in all possible ways for many years in a constructive manner and has also successfully dealt with very complex and controversial standards like LAS 39. The proposed IAS 27 amendments represent by far the biggest single disagreement that UBS faced with a proposed standard in its reporting time under IAS.

As the private equity issue is of such importance to us, we would appreciate the opportunity to meet with you personally to discuss these issues. May we ask your secretary to contact Myrtha Bohni (+41 1 234 57 41), assistant to Peter Wuffli, to set up a meeting in London.

Yours sincerely,

UBSAG



Peter Wuffli  
President, Group Executive Board



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