

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

7 September 2009

Dear Sir David,

Classification of Rights Issues: Proposed amendment to IAS 32

This is the British Bankers' Association's response to the above exposure draft. We welcome the opportunity to comment.

In our view the proposed amendment resolves a technical anomaly which has the potential to affect a significant number of entities whose shares are denominated in the multiple national currencies of the exchanges on which they trade and whose functional currencies can only be a single currency as determined for the purposes of IAS 21. As a result, profits or losses could be reported in the income statement which may not faithfully represent the economic effects of the rights issue for the entity's shareholders. We also note that, although such transactions are infrequent, by their very nature they are often very significant in size and therefore the anomaly can have very material consequences. For these reasons we urge that the amendment be adopted as soon as is possible.

Below we set out our views on the questions posed in the Exposure Draft.

Question 1 – Specifying the characteristics of the rights issue

The proposed amendment applies to instruments (rights) to be offered pro rata to all existing owners of the same class of equity instruments and the exercise price to be a fixed amount of cash in any currency.

Do you agree with the proposal to limit the amendment to instruments with these characteristics? If not, why? Are there any other instruments that should be included and why?

We agree with the proposal to limit the amendment to the instruments with the characteristics described.

Although we acknowledge that the Board may wish to study this issue in greater detail to identify other instruments which should be included by means of a more general amendment, we believe that the importance of resolving this issue is such that the simple and rapid amendment proposed is the most appropriate way for the Board to proceed. The need for a timely response to the issue is emphasised by the actions several entities in a number of different industries have taken recently to raise additional capital to strengthen their capital positions, often in response to recent adverse economic conditions. Furthermore, the matter can be expected to become more commonplace as entities diversify their sources of capital by issuing shares on multiple exchanges.

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In considering a more general amendment, we would suggest that the Financial Instruments with the Characteristics of Equity project is the appropriate means by which the Board should address wider issues regarding IAS 32.

Question 2 – Specifying the currency of the exercise price

The proposed amendment specifies that the fixed amount of cash the equity will receive can be denominated in any currency. If that currency is not the entity's functional or reporting currency, the proceeds it receives from the issue of its shares will vary depending on foreign exchange rates.

Do you agree with the proposal to permit an entity to classify rights with the characteristics set out above as equity instruments even when the exercise price is not fixed in its functional or reporting currency? If not, why?

We agree with the proposal to permit an entity to classify rights with the characteristics set out above as equity instruments, even when the exercise price is not fixed in its functional or reporting currency.

Question 3 – Transition

The proposed change would be required to be applied retrospectively with early adoption permitted.

Is the requirement to apply the proposed change retrospectively appropriate? If not, what do you propose and why?

We believe that it is appropriate to apply the change retrospectively and would add that we do not believe doing so would involve significant cost.

Yours sincerely

A handwritten signature in black ink that reads "Paul Chisnall". The signature is written in a cursive, flowing style.

Paul Chisnall
Executive Director

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