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Sir David Tweedie  
Chairman of the  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Berlin, 4 September 2009

Dear David,

**Exposure Draft ED/2009/9 Classification of Rights Issues – Proposed amendment to IAS 32**

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the IASB Exposure Draft ED/2009/9 'Classification of Rights Issues – Proposed amendment to IAS 32' (herein referred to as 'ED'). We appreciate the opportunity to comment on the Exposure Draft.

According to our knowledge and investigations, instruments that give the holders the right to acquire an entity's own equity instruments at a fixed price (rights issues) stated in a currency other than the entity's functional currency are not a pervasive issue in Germany.

We have discussed the proposal in the amendment and reconsidered the arguments contained in the basis for conclusions. The GASB acknowledges the intention of the IASB to provide a quick solution for this issue, especially in light of the current economic situation. In this respect we agree with the proposal made by the IASB.



On the other hand we are aware that this proposal modifies the ‘fixed for fixed’ criterion in IAS 32.16 for one specific type of financial instrument only – rights issued pro rata to all existing owners of the same class of equity instruments to acquire a fixed number of an entity’s own equity instruments for a fixed amount of any foreign currency. We would like to point out that this would create inconsistencies with other financial instruments that do not meet the ‘fixed for fixed’ criterion when their exercise or forward price is denominated in a foreign currency. Thus, we urge the IASB to address the issue of ‘fixed for fixed’ comprehensively within the IASB project Financial Instruments with characteristics of equity.

Please find our answers to the questions raised in the ED in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

*Liesel Knorr*  
President



## Appendix

### **Question 1 – Specifying the characteristics of the rights issue**

The proposed amendment applies to instruments (rights) to be offered pro rata to all existing shareholders 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?

The GASB agrees with the proposal to limit the amendment to instruments (rights) to be offered pro rata to all existing shareholders of the same class of equity instruments and thus ensuring that only transactions with owners in their capacity as owners are addressed.

### **Question 2 – Specifying the currency of the exercise price**

The proposed amendment specifies that the fixed amount of cash the entity 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?

The GASB agrees with the proposal in the exposure draft.



### 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 instead and why?

The GASB believes that retrospective application of the proposed change is appropriate.