ASSOCIATION DES BANQUIERS CANADIENS
CANADIAN BANKERS ASSOCIATION

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December 23, 2008

Mr. Michael Buschhueter
Project Manager, Earnings Per Share – Treasury Stock Method
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Buschhueter:

Re: Exposure Draft – Simplifying Earnings per Share

The Canadian Bankers Association ("CBA") appreciates the opportunity to comment on the International Accounting Standard Board's ("IASB" or the "Board") Exposure Draft on amendments to IAS 33 Earnings per Share (the "ED").

Overall, we support the harmonization of IFRS and US GAAP, and agree with most of the proposed changes for the reasons outlined below. However, we recommend deferring the proposed changes for instruments that are measured at fair value through profit or loss (Question #3) until a later date such as when the IAS 32 and 39 Exposure Drafts or final standards are issued. Also, we specifically disagree with the proposed use of the end-of-period market price, instead of the average market price (Question #4), in determining diluted earnings per share ("EPS"). It will increase volatility in the measurement of diluted EPS, especially if the share price of the entity fluctuates widely from one period to another. The diluted EPS calculation based on the end-of-period market price will be more indicative of an entity's share price volatility as opposed to the conversion activities assumed to have occurred during the period. Our responses to the specific questions contained in the ED are included below.

We thank you for the opportunity to comment on this ED and look forward to the issuance of the final standard. If you have any questions concerning our comments or suggestions, we would be pleased to discuss them.

Sincerely,

Deborah L. Crossman
for
Karen Michell

Question 1: Mandatorily convertible instruments and instruments issuable for little or no cash consideration

Do you agree that the weighted average number of ordinary shares for basic EPS should include only instruments that give (or are deemed to give) their holder the right to share currently in profit of loss of the period? Why or why not?

We agree that the weighted average number of ordinary shares for basic EPS should include only instruments that give, or deemed to give, their holder the right to share currently in profit or loss of the period through dividend policy ("participating instruments"). A participating instrument has similar characteristics as an ordinary share since both instruments allow the holders to participate in the earnings of the company through dividend payments. This concept supports the objective of basic EPS information, which is to provide a measure of the interest of each ordinary share in the performance of the entity over the reporting period. Furthermore, it supports the IASB's objective to simplify the calculation of EPS because it provides a clear single principle that can be applied to determine what instruments should be included in the calculation of basic EPS.

Does the exposure draft apply this principle correctly to mandatorily convertible instruments and ordinary share issuable for little or no cash or other consideration? Why or why not?

We believe the exposure draft applies the above principle correctly to mandatorily convertible instruments and ordinary shares currently issuable for little or no cash or other consideration. The exposure draft indicates that mandatorily convertible instruments are included in basic EPS if they meet the definition of a "participating instrument", while ordinary shares that are currently issuable for little or no cash or other consideration are deemed to give the holder the same right as ordinary shareholders and therefore are included in basic EPS. This is consistent with the proposed concept of participating instruments.

Question 2: Gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable ordinary shares

Do you agree with the proposed treatment of gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable shares? Why or why not?

The exposure draft requires that ordinary shares subject to a contract to repurchase for cash or other financial assets (such as gross physically settled written put options or forward purchase contracts) are treated as not outstanding for the calculation of basic EPS. We agree that these shares should be excluded from the denominator of the basic EPS because these contracts are similar to the acquisition of treasury shares and therefore, they should be treated in a similar manner for the purpose of calculating basic EPS.

The exposure draft requires that such contracts should be included in the diluted EPS calculation if they are dilutive. We request that the IASB should provide clarification on the following items:

a) whether contracts to repurchase an entity's own shares should be treated as if the entity has already repurchased them if they are out-of-the-money at the end of the reporting period, as they would not be exercisable. We believe only contracts that are in-the-money at the end of the reporting period should be treated as if the entity has already repurchased them.

b) whether contracts that require the entity to repurchase its own shares, when measured at fair value through profit or loss should be accounted for in accordance with the treatment prescribed for instruments that are measured at fair value through profit or loss. We believe that such contracts should be treated consistently with other dilutive instruments that are measured at fair value through profit or loss, where they are excluded from the diluted EPS calculation.

We also agree that mandatorily redeemable ordinary shares are similar to contracts to repurchase an entity's own shares for cash or other financial assets and should be treated in a similar manner. Therefore, they should be excluded from the denominator of EPS calculations.

Question 3: Instruments that are measured at fair value through profit or loss

Do you agree that the fair value changes sufficiently reflect the effect on ordinary equity holders of instruments measured at fair value through profit or loss and that recognizing those changes in profit or loss eliminates the need for further adjustments to the calculation for EPS. Why or why not?

We agree that any instrument that is measured at fair value through profit or loss should be excluded from the EPS calculation because the numerator of the EPS calculation already reflects the impact of the change in fair value of the instrument on ordinary shareholders. Therefore, there is no need to include the impact of assumed exercise or conversion in the denominator. This treatment is consistent with the objective of diluted earnings per share, which is to provide a measure of the interest of each ordinary share in the performance of the entity, while giving effect to the dilutive potential to ordinary shares outstanding during the period. Furthermore, it also supports the IASB's objective to simplify EPS calculation.

However, we recommend deferral of this proposed amendment until IAS 32 and 39 have been finalized, as changes to these standards may impact the EPS calculation and may result in further significant differences between IFRS and US GAAP.

Question 4: Options, Warrants, and their equivalents

Do you agree that to calculate diluted EPS an entity should assume the settlement of forward sale contracts on its own shares in the same way as options, warrants and their equivalents? Why or why not?

We agree with the treatment of the forward sales contracts. Forward sale contracts represent an obligation to issue additional ordinary shares upon settlement of the contract. As a result, the effect of settling the contract is similar to the assumed exercise of dilutive options. Therefore, forward sales contracts should be included in the dilutive EPS calculation unless they are measured at fair value through profit or loss.

Do you agree that ordinary shares arising from the assumed exercise or settlement of options, warrants and their equivalents should be regarded as issued at the end-of-period market price? Why or why not?

We do not agree that the end-of-period market price should be used in the EPS calculation. The use of the end-of-period market price as opposed to the average market price does meet the objective to simplify EPS calculations. However, it introduces volatility in the measurement of dilutive EPS, particularly if the share price of the entity fluctuates widely from one period to another. Therefore, the diluted EPS calculation based on the end-of-period market price will be more indicative of an entity's share price volatility as opposed to the conversion activities assumed to have occurred during the period.

Question 5: Participating instruments and two-class ordinary shares

Do you agree with the proposed amendments to the application guidance for participating instruments and two class ordinary shares? Why or why not?

We agree with the proposed application guidance for participating instruments and two class ordinary shares because it is consistent with the principle that the most dilutive effect should be considered in the diluted EPS calculation.

Question 6: Disclosure Requirements

Are additional disclosures needed? If so, what additional disclosures should be provided and why?

The required disclosures of the exposure draft are adequate.