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September 1, 2009

International Accounting Standards Board
30 Cannon Street,
London EC4M 6XH
United Kingdom

Dear Sirs,

This letter is the response of the staff of the Canadian Accounting Standards Board (AcSB staff) to the IASB's Exposure Draft on Classification of Rights Issues (Proposed amendment to IAS32), dated August 2009.

The AcSB staff discussed this Exposure Draft and solicited comments from individual members of the AcSB. The views expressed in this letter take into account their comments. However, they do not necessarily represent a common view of the AcSB or staff. Views of the AcSB are developed only through due process.

We agree with the Exposure Draft proposals. We support the rationale explained in the Basis for Conclusions that a transaction completed with owners in their capacity as owners should be reported as an equity transaction. In those circumstances, we agree that the currency an entity will receive on the issue of an instrument should not affect the classification of rights issues.

Assessing the capacity in which a counterparty conducts a transaction with a reporting entity can be difficult. Owners often have dual roles as they provide services or financing to the entity.

Therefore, the requirements that the rights issue must have been offered to all shareholders of that class and on a pro rata basis to their existing holdings ensure that the transaction is conducted with owners in their capacity as owners. If only one of those requirements were specified, there would need to be some rationale for identifying why some owners receive the rights or why some receive more rights than others. Providing economic benefits to one owner but not others who holds the same class of ownership instrument must be to compensate that particular owner other than in his capacity as an owner. Including such an explanation in the Basis for Conclusions would assist users of IFRSs in better understanding why these requirements are critical.

We agree with the proposal to limit the amendment to instruments with the characteristics noted in the paragraph above and we are not aware of any other instruments that should be included. Also, we agree that the amendment should be applied retrospectively and that an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* is not needed. We encourage the IASB to state in the Basis for Conclusions why an amendment to IFRS 1 is not proposed in order to communicate to readers that the effect of adopting this amendment has been considered.

We would be pleased to elaborate on any of our comments in more detail if you require. If so, please contact Peter Martin, Director Accounting Standards at +1 416 204-3276 (e-mail peter.martin@cica.ca), or Rebecca Villmann, Principal Accounting Standards at +1 416 204-3464 (e-mail rebecca.villmann@cica.ca).

Yours truly,

Peter Martin

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