

Accounting Standards Board

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25 August 2009

Dear Stig

EFRAG draft comment letter on the IASB Exposure Draft *Classification of Rights Issues*

Thank you for providing the UK Accounting Standards Board (ASB) with the opportunity to comment on your draft comment letter (DCL) to the International Accounting Standards Board's (IASB's) Exposure Draft (ED) 'Classification of Rights Issues - proposed amendment to IAS 32'.

The ASB is scheduled to have a detailed discussion on the proposals in the IASB's ED at its meeting on 3 September. The consequence of this is that at present we are unable to provide you with a formal Board response to the DCL.

Given your deadline I am sending you a staff response. The ASB staff supports the proposals in the ED as it addresses a practical issue. Overall, we believe it is important to classify an instrument based on its substance. We share EFRAG's support for the amendment, although the staff does not place as much emphasis on EFRAG's concerns with the rationale for the proposals as outlined in the DCL. That said, the ASB staff does have a number of different concerns with the proposals which we will discuss with the Board on 3 September. These relate to the need to ensure that the amendment is narrowly focused on rights issues, rather than 'rights' in general (as implied by the proposed drafting of paragraph 11(a)(ii)) in order that it does not result in wider application than that envisaged by the IASB.

The ASB will respond directly to the IASB on its invitation to comment and we will send you a copy of that response once it has been finalised. We will also flag up if the Board takes a different view to that of the staff immediately after the Board meeting on 3 September.

Should you have any queries regarding this response please contact me, or Deepa Raval, Project Director, on +44 207 492 2424 or by email d.raval@frc-asb.org.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Mackintosh', written in a cursive style.

Ian Mackintosh

Chairman

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