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

United Kingdom

Berlin, 27 February 2008

Dear Sir David,

Exposure Draft of Proposed Amendments to IFRS 2 Share-based Payment and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions Group Cash-settled Share-based Payment Transactions

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the IASB Exposure Draft of Proposed Amendments to IFRS 2 Share-based Payment and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions Group Cash-settled Share-based Payment Transactions (herein referred to as 'the ED'). We appreciate the opportunity to comment on the exposure draft.

We support the proposed amendments to IFRS 2 and IFRIC 11. However, there are other group share-based payment transactions, which are not covered by these amendments, for example group arrangements in which the employee of the parent entity will receive cash payments that are linked to the price of the equity instruments of the parent entity / subsidiary and the subsidiary has an obligation to make the required cash payments to the employee (reverse arrangement) or that do not involve a parent-subsidiary relationship. In our view the IASB focuses on the amendments only in two special cases. If the IASB interprets the accounting for (cash-settled) group arrangements, this interpretation should include the accounting for all entities in the same group.

In general, the IASB should deliberate whether to amend the accounting for share-based payments on a case by case basis (rules-based) or to revise IFRS 2 in principle. Continuously amending bears the risk that IFRS 2 becomes more and more rules-based.

We would favour a more general revision of IFRS 2 to further inter alia convergence with US GAAP, for example developing broader definitions of cash-settled and equity-settled share-based payments so that other arrangements meet these definitions. Regarding the more significant differences between IFRS 2 and US GAAP we refer to SFAS 123R.B259-B269.

For the detailed comments we refer to the appendix to this comment letter.

If you would like to discuss any aspects of this comment letter in more detail, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President

Appendix

Question 1 – Specifying how a subsidiary that receives goods or services from its suppliers (including employees) should account for cash-settled share-based payment arrangements described in new paragraph 3A of IFRIC 11

The proposed amendments specify that:

(a) in the financial statements of a subsidiary that receives goods or services from its suppliers under the arrangements described in new paragraph 3A of IFRIC 11, the subsidiary should apply IFRS 2 to account for the transactions with its suppliers. In other words, in the financial statements of the subsidiary, such cash-settled share-based payments are within the scope of IFRS 2 (see new paragraph 3A of IFRS 2 and new paragraph 11A of IFRIC 11).

(b) the subsidiary should measure the goods or services received from its suppliers in accordance with the requirements applicable to cash-settled share-based payment transactions, as set out in IFRS 2 (see new paragraph 11B of IFRIC 11).

Do you agree with the proposals? If not, why?

We support extending the scope of IFRS 2 and IFRIC 11 although the two arrangements described in the proposed new paragraph 3A do not meet the definition of a (cash-settled) share-based payment in existing IFRS 2. However, the existing IFRS 2 already includes in paragraph 3 transactions that are not share-based payments as per the definition of IFRS 2. Thus, we suggest developing a broader definition.

In our view, the amendments to IFRIC 11 only cover group cash-settled share-based payment transactions between a parent and its subsidiary. In general, we support the measurement as proposed in paragraph 11B in such cases.

But as noted in paragraph 4, the amendments will also apply to similar arrangements between an entity and another entity in the same group, e.g. arrangements in which the employee of the parent entity will receive cash payments that are linked to the price of the equity instruments of the parent entity / subsidiary and the subsidiary has an obligation to make the required cash payments to the employee (reverse arrangement) or that do not involve a parent-subsidiary relationship. In these cases the proposed accounting in paragraph 11B cannot be applied. Hence, the IASB should also describe how those arrangements should be accounted for.

Paragraph 11B sentence 3 can be interpreted in the way that only ‘the adjustments’ to the liability are accounted for as a contribution by the parent. The IASB should clarify this issue.

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In summary, we support the amendments to IFRS 2 and IFRIC 11. But as mentioned above, there are other possible transactions between entities in the same group, which are not yet covered by the amendments. Continuously amending bears the risk that IFRS 2 becomes more and more rules-based. Therefore, in our view IFRS 2 should be revised in general and not on a case by case basis.

Question 2 – Transition

The proposed amendments to IFRS 2 and IFRIC 11 would be required to be applied retrospectively, subject to the transitional provisions of IFRS 2.

Do you agree with the proposal? If not, what do you propose and why?

We agree with the proposal to apply the amendments to IFRS 2 and IFRIC 11 retrospectively.