leadership beyond finance

March 11, 2015

The IFRS Foundation
30 Cannon Street
London, United Kingdom
EC4M 6XH

Re: Exposure Draft 2014/5: Classification and Measurement of Share-based Payment Transactions- Proposed amendments to IFRS 2 ("Exposure Draft")

The Committee on Corporate Reporting of Financial Executives International Canada ("FEI Canada") is writing this letter to provide its response to the Exposure Draft.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 1,600 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

The Committee on Corporate Reporting ("CCR") is one of two national advocacy committees of FEI Canada. CCR comprises more than 20 senior financial executives representing a broad cross-section of the FEI Canada membership and of the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of issues related to accounting, corporate reporting and disclosure. In addition to advocacy, CCR is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving the standards and regulations affecting corporate reporting.

<u>Question No 1</u>

The IASB proposes to clarify that accounting for the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment should follow the approach used for measuring equity-settled share-based payments in paragraphs 19-21A of IFRS 2.

Do you agree? Why or why not?

We agree with the IASB's proposal:

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We believe that this approach is appropriate as it provides for a consistency in approach in the accounting for vesting of cash settled share-based payments and equity settled share-based payments and results in both these arrangements being recorded at fair value. Additionally, we believe that this proposal eliminates any divergence in accounting practice on this matter and thus increases the comparability of financial statements between entities that have both cash and equity settled awards.

<u>Question No 2</u>

The IASB proposes to specify that a share-based payment transaction in which the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligation should be classified as equity-settled in its entirety. This is required if the entire share-based payment transaction would otherwise have been classified as an equity-settled share-based payment transaction if it had not included the net settlement feature.

Do you agree? Why or why not?

We agree with the IASB's proposal. We believe that the proposed amendment reflects the underlying economic characteristics of the plan as an equity settled plan. The settlement on net basis is an administratively expedient method of addressing withholding tax obligations of the plan participants and is only applicable to certain tax jurisdictions. However, this administrative aspect does not alter the fact that the plan is 'in substance' an equity settled share-based payment plan.

<u>Question No 3</u>

The IASB proposes to specify the accounting for modifications to the terms and conditions of the cash-settled share-based payment transaction that results in a change in its classification from cash-settled to equity-settled. The IASB proposes that these transactions should be accounted for in the follow manner:

a) the share-based payment transaction is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification:

b) the liability recognized in respect of the original cash-settled share-based payment is derecognized upon the modification, and the equity-settled share-based payment is recognized to the extent that the services have been rendered up to the modification date: and

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c) the difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date is recorded in profit or loss immediately.

Do you agree? Why or why not?

We agree with the IASB's proposal. We believe that the proposed amendment reflects the underlying economics of the transaction, which is that the settlement has changed from a cash-settled basis to an equity-settled basis. In our view, such a change is analogous to the settlement of the cash-settled plan and the replacement thereof by an equity-based plan and not a mere modification of the cash-settled plan.

Question No 4

The IASB proposes prospective application of these amendments, but also proposes to permit the entity to apply the amendments retrospectively if it has the information needed to do so and this information is available without the use of hindsight.

Do you agree? Why or why not?

We agree with the IASB's proposal.

Question No 5

Do you have any other comments on the proposals?

We support the IASB's proposals in this Exposure Draft and do not have any further comments on the proposals.

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