

5 September 2008

Sir David Tweedie  
Chairman  
International Accounting Standards Board (IASB)  
30 Cannon Street  
London ED 4M 6 XH  
United Kingdom

Dear Sir David

### **IASB Discussion Paper: Financial Instruments with Characteristics of Equity**

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments to the IASB on Discussion Paper Financial Instruments with Characteristics of Equity. We understand the DP was issued by the US Financial Accounting Standard Board (FASB) as part of the IASB and US FASB Memorandum of Understanding *A Roadmap for Convergence between IFRSs and US GAAP-2006 to 2008* and we commend both Boards for your commitment to convergence.

We believe the long term resolution to measurement basis for financial instruments depends on the outcome of the new conceptual framework; whether or not the ultimate objective is to measure equity at fair value. If the conceptual framework's decision is to measure equity at fair value, it may be appropriate to use the reassessed expected outcome (REO).

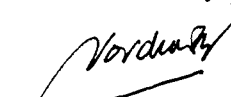
We are concerned with expanding the use of the fair value model in the immediate term for currently there is inadequate fair value measurement guidance, especially for illiquid markets. To require the application of fair value measurement in illiquid markets would result in greater complexity than the application of IAS 32. This will defeat the original purpose of the FASB to significantly simplify accounting requirements for issuers and their auditors.

We therefore urge the IASB to maintain IAS 32 for the moment. As the REO approach requires increased use of fair value, it is imperative that IAS 32 be changed only when the IASB has issued sufficient guidance on the determination of fair value.

If it is not the ultimate objective of the revised conceptual framework to measure equity at fair value, we would prefer the basic ownership approach, taking into consideration the FASB's preliminary view. We do not support the ownership-settlement approach despite the approach being similar to IAS 32. The ownership-settlement approach is more complex in other ways as it requires more separation of financial instruments which entail considerable exercise of judgement by management.

If you need further clarification, please contact the undersigned at +603 2240 9200 or email at [nordin@masb.org.my](mailto:nordin@masb.org.my).

Yours sincerely,



Dr Nordin Mohd Zain  
Executive Director