24 March 2015

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Mr Hoogervorst

EXPOSURE DRAFT ED/2014/5 *CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS* (PROPOSED AMENDMENTS TO IFRS 2)

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IASB Exposure Draft ED/2014/5 *Classification and Measurement of Share-based Payment Transactions* (Proposed amendments to IFRS 2).

Our responses to the respective questions are detailed in the Appendix to this letter.

If you need further clarification, please contact Ms Tan Bee Leng at +603 2240 9200 or by email at beeleng@masb.org.my.

Thank you.

Yours sincerely,

DATO' MOHAMMAD FAIZ AZMI
Chairman

Appendix

Question 1

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 proposal.

Question 2

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 proposal on the classification of share-based payment transactions with net settlement features in the proposed paragraph 33D.

However, we are of the view that the reference made to paragraph 29 is confusing.

The proposed new paragraph 33D states that in order for an entity to fulfil its obligation, the terms of the share-based payment arrangement would permit or require the entity to deduct from the total number of equity instruments needed to *equal* the monetary value of the statutory tax withholding obligation. We note that when the entity settles the tax on behalf of its employees, the cash payments may differ from the amount recognised during the vesting period. As the last sentence of the proposed paragraph 33D requires the share-based payment to be accounted for in accordance with paragraphs 10-29, some may be of the view that the entity shall recognise this difference as its expense.

We do not believe this is the intent of the IASB as the tax is not the entity's expense but is the employee's. In this regard, we recommend the IASB to provide an illustrative example to clarify its intent to circumvent any divergent views or confusion that may arise based on the proposed new paragraph 33D and the reference to the existing paragraph 29. We noted a useful example was provided in the February 2014 Staff Paper Agenda 12E (paragraphs 22-26) and the IASB may wish to consider including such example.

Question 3

The IASB proposes to specify the accounting for modifications to the terms and conditions of a 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 following 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 recognised in respect of the original cash-settled share-based payment is derecognised upon the modification, and the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date; and

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

Do you agree? Why or why not?

We agree with the proposal.

Question 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 proposal.

Question 5

Do you have any other comments on the proposals?

We do not have other comments on the proposals.