

PERFORMANCE THROUGH INNOVATION
BARCLAYS GLOBAL INVESTORS

June 30, 2004

Letter of Comment No: 4821
File Reference: 1102-100

Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

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Dear Board Members:

I am writing on behalf of Barclays Global Investors ("BGI") in support of the Exposure Draft: Proposed Statement of Financial Accounting Standards on Share-Based Payments, an amendment to Financial Accounting Standards Board ("FASB") Statements No. 123 and 95 ("Exposure Draft").

BGI is the world's largest institutional investment manager, and the world's largest provider of structured investment strategies such as indexing, tactical asset allocation, and quantitative active strategies. At December 31, 2003, BGI and its affiliates, including its wholly owned subsidiary Barclays Global Fund Advisors ("BGFA"), managed over \$1.1 trillion in assets for clients in 37 countries around the world. BGI is owned by Barclays PLC, one of the largest companies in the United Kingdom, and one of the world's leading global financial services providers. Our ownership positions on behalf of our clients encompass nearly 4,500 public companies in the United States alone, and typically place us among the companies' largest shareholders. As fiduciary, we exercise all ownership rights attending these holdings in a manner intended to promote the best economic interests of our client beneficiaries, including, but not limited to, the voting of proxies. BGI tends to be a long-term holder.

Our corporate governance activities are designed to avoid micromanagement while attempting to promote the free flow of information to maximize market efficiency, and to eliminate barriers to transactions. The evaluation of stock option plans figures very prominently among these responsibilities; during the most recent calendar year we cast votes on 1,524 equity based-plans at our U.S. holdings alone (grammar or something missing in the last 4-5 words here?). Clearly, our activities in this arena are extensive. We therefore believe that we are in a strong position to evaluate the importance of the accounting treatment of these instruments to the investing public, as well as the indirect impact that treatment has had on the use thereof.

BGI is a strong proponent of stock option expensing. Our Proxy Voting Guidelines were amended accordingly in early 2003, and we have voted without exception since then in support of proposals

calling for expensing. Furthermore, a company's policy with respect to expensing will at times inform our vote on the approval of specific stock option plans, as well as the election of directors, particularly those who also sit on the compensation committee.

Our policy and practice on this subject are based on our conviction that stock options have monetary value, are a cost of doing business, and that the granting thereof represents a transfer of wealth from shareholders to recipients of the awards. When properly used, we believe that stock options can be a useful and important method for longer-term compensation; however, the total expected costs of such awards should be highly transparent to shareholders, which will be achieved under this proposal.

We also applaud the careful crafting of the Exposure Draft, which we believe will remedy some of the perverse effects of the rules currently in effect. One such effect is the discouragement of performance-based options, which do require expensing. Ironically, these are the very types of awards we wish to encourage, as they establish desirable incentives, in many cases fulfilling the assumptions upon which shareholder approval of such plans is based. The effect of the proposed rules on the tax treatment of option awards is also a highly desirable outcome.

We will not attempt to address all of the criticisms of the proposed rule, but have the following comments on some of the more frequently cited issues. With respect to the specific valuation used to accomplish expensing, we do not profess to have superior knowledge as to the appropriate model for this purpose, and are supportive of the approach that the FASB has taken on this detail. Our own decisions as to whether to support specific plans are based on a binomial valuation approach, and we find the FASB's reasoning on this topic compelling. Regarding the assertion that expensing stock options will have an immediate negative effect on stock prices, we offer the opinion that share prices already reflect investors' best estimates of this expense. More specifically, accurate information can only benefit share prices. As a general matter, it is worth emphasizing that the appropriate accounting treatment of stock options has been under discussion for over a decade. Nearly 600 U.S. companies are currently recognizing this expense and others have expressed a desire to attain closure on the question.

Finally, and perhaps most importantly, the proposed standard supports efforts toward international convergence of accounting standards. As a global organization, we serve investors who are active in markets worldwide. The move toward uniformity in accounting standards provides a common language as well as comparability across international borders. The FASB has our support for its efforts, in concert with the International Accounting Standards Board ("IASB"), to improve international standards and comparability.

Thank you for considering our views on this topic. We are grateful to the FASB for its leadership in this area over the previous decade and we salute the courage with which you have maintained

your convictions. We look forward to the implementation of this standard with confidence that the FASB will receive the support it deserves to execute its mandate.

Sincerely,

A handwritten signature in cursive script that reads "L Selbach".

Linda S. Selbach
Global Corporate Governance and Proxy Manager