

**Karen Salmansohn**

---

**From:** Director - FASB  
**Sent:** Wednesday, February 05,  
**To:** Karen Salmansohn  
**Subject:** FW: File Reference No. 1102-001 - Invitation to Comm...  
Compensation

*Letter of Comment No: 258*  
*File Reference: 1102-001*  
*Date Received: 2-3-03*

**Importance:** High

-----Original Message-----

**From:** O'Neil, Andrea (US - Wilton) [mailto:aozell@deloitte.com]  
**Sent:** Tuesday, February 04, 2003 10:38 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-001 - Invitation to Comment - Accounting for Stock-Based Compensation  
**Importance:** High

February 3, 2003

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

**File Reference No. 1102-001**

Enclosed is our letter of comment on the FASB's "Invitation to Comment - Accounting for Stock-Based Compensation: A Comparison of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and Its Related Interpretations, and IASB Proposed IFRS, *Share-based Payment*," dated November 18, 2002 (the "Invitation").

If you have any questions concerning our comments, please contact Robert Kueppers at 203-761-3579 or James Kroeker at 203-761-3726.

Yours truly,

Deloitte & Touche

<<FASB CLB-2-3-03.doc>>

This message (including any attachments) contains confidential information intended for a specific individual and purpose, and is protected by law. If you are not the intended recipient, you should delete this message. Any disclosure, copying, or distribution of this message, or the taking of any action based on it, is strictly prohibited.

February 3, 2003

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

**File Reference No. 1102-001**  
**Invitation to Comment - Accounting for Stock-Based Compensation**

Dear Sirs:

We are pleased to provide a preliminary response to the FASB's "Invitation to Comment – Accounting for Stock-Based Compensation: A Comparison of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and Its Related Interpretations, and IASB Proposed IFRS, *Share-based Payment*," dated November 18, 2002 (the "Invitation").

Due to the lack of any International Accounting Standards Board ("IASB") standard addressing the accounting for stock-based compensation, we support the IASB's decision to develop a standard that comprehensively addresses the accounting for stock-based compensation. Further, we support convergence around high quality accounting standards globally. As such, we encourage the Board to work closely with the IASB and other national standard setters to develop a single, high-quality standard for the accounting for stock-based compensation that will be applied globally. The principle behind this standard should be the recognition of exchange transactions at fair value even when they involve the exchange of an entity's own equity instruments.

The Invitation compares FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to the IASB Proposed IFRS ("Proposed IFRS"), *Share-based Payment*, and it requests comments on the differences. While we believe that all differences should be eliminated, we will submit to you our specific recommendations when we issue our comment letter to the IASB, due March 7, 2003. We are in process of evaluating that proposal as a package and we are attempting to ensure that our recommendations are

compatible and internally consistent with the entire standard. We are reluctant to recommend how to eliminate differences piecemeal. The issues on which the IASB is requesting comment are substantially similar to the issues raised in the Invitation. Accordingly, we will submit to you a copy of our comment letter to the IASB on the Proposed IFRS or respond in detail to the Invitation after our letter to the IASB is finalized.

While our analysis of the Proposed IFRS is not yet complete, we have concerns with respect to several of the accounting provisions set forth in the Proposed IFRS. In our comment letter to the IASB, we intend to focus on several areas of concern including (a) issues surrounding scope, (b) issues surrounding the date at which compensation in a stock-based transaction should be measured, (c) whether different accounting requirements should apply to transactions with employees and nonemployees, (d) the use of fair value measurements that incorporate vesting and other complex provisions, and (e) the method of allocating compensation cost to different accounting periods.

If you have any questions regarding our response, please contact Robert Kueppers at 203-761-3579 or James Kroeker at 203-761-3726.

Yours truly,

Deloitte & Touche