Karen Salmansohn

From: Director - FASB
Sent: Friday, January 31, 2003
To: Karen Salmansohn
Subject: FW: Accounting for stock-

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-----Original Message-----
From: michael.mckersie@abi.org.uk [mailto:michael.mckersie@abi.org.uk]
Sent: Friday, January 31, 2003 12:28 PM
To: Director - FASB
Subject: Accounting for stock-based compensation

Michael McKersie@ABINOTES
01/31/2003 05:27 PM

We are writing to express our support for the proposal to introduce full and proper accounting for share based payments.

The Association of British Insurers represents institutional investors in the UK with some œltrillion ($1.5 trillion) of assets under management (both in the UK and internationally) much of which is invested in the shares and other securities of corporate preparers of accounts. ABI members therefore have a particular interest in ensuring high standards of accounting and corporate governance good practice. In respect of share-based payment of employees and directors we are firmly of the belief that this should be linked to performance in such a way as best secures alignment of interest between recipients and shareholders.

We consider very definitely that stock-based compensation needs to be recognised as an expense. We therefore support the current efforts of the International Accounting Standards Board to address this issue and we support the basic approach of recognising the fair value based on grant date.

It is desirable that in this, as in other areas of accounting, international convergence is achieved. Accordingly, we very much encourage FASB to take matters forward in a manner consistent with that of the IASB, with the aim of achieving the most meaningful accounting treatment of the economic substance of these transactions.

M W McKersie
Manager
Investment Affairs

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