



Paris, 22 October 2010

Professor Sir David Tweedie
Chairman
International Accounting Standards Board
22 Cannon Street
London EC4M 6XH
United Kingdom

Ref : IASB Exposure Draft on Revenue from Contracts from Customers

Dear Sir David,

The International Accounting Standards Board recently released an Exposure Draft on Revenue from Contracts from Customers, which proposes significant changes in the way that companies who report under International Financial Reporting Standards (IFRS) recognize revenue. Of particular interest to the world's exchanges, the Exposure Draft addresses the topic of up-front fees, and how these fees should be recognized by the companies that receive them.

Not all member exchanges of the World Federation of Exchanges prepare their financial statements in accordance with IFRS, though today most do. Also, if the Exposure Draft is adopted as written, given the diversity of member exchanges, the effects on profit and loss statements will vary from exchange to exchange. Our letter to you today must not be mistaken for an absolute consensus in the exchange community.

General remarks

Given the specificities of the exchange business, we wish to draw your attention to a few points of concern. What may make very good business and accounting sense in other industries does not translate well, as a rule, for exchanges on the matter of listing fees. We believe that there are aspects of the Exposure Draft that would have the very broad effect of causing exchanges to defer their listing fees.

- Given the way most exchanges function, the proposed approach under IFRS is tantamount to a form of smoothing, which would understate results in strong quarters and overstate them in weaker quarters. Listings is a line of business which varies according to capital market conditions. For example, as seen during some of the slow periods in the capital markets in recent years, an exchange could have zero actual new listing fees in a given quarter but under the conditions of this proposal would still report significant revenue dating from the prior 39 quarters (assuming a 10-year, 40- quarter amortization).

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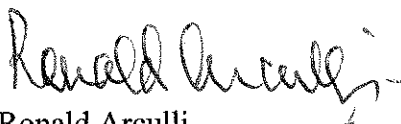
- For exchanges which are public listed companies and which have growing listing fees, revenue and net income would be understated, and the price/earnings multiple may be significantly overstated.
- The approach proposed reduces transparency to the financial community as well as investors in the exchange's own securities as to the true results and financial performance of the company.
- Just under half of WFE members are public listed companies, and most of those report under IFRS. If this revenue recognition method is modified, the effect on them would be to require significant disclosure within the regulatory filings to explain to the reader that listing revenue has changed due to capital market activity dating back over the previous 39 quarters, with only 1/40th of the current quarter's capital market activity being reflected in the current quarter's revenue (still using the same hypothetical 10-year, 40-quarter amortization). That can be done, but it does not make it easy for readers of disclosure to see rapidly what the issuer's business is about.
- Shareholders' equity of the company would be significantly understated due to the presence in the profit and loss statement of significant deferred revenue.
- The proposed change seems to go against the important accounting principle of matching. The expenses to complete the listing are incurred immediately at the time of the listing transaction whereas the revenue will then be deferred over subsequent periods.
- Finally, estimating the actual market lifetime of a listing in order to amortize such revenue is highly problematic.

Conclusion

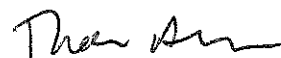
TMX Group in Canada will submit its own response to this Exposure Draft, and you may receive letters from other exchange members of WFE. Our letter to you is to highlight the question as we see it, particularly for the benefit of exchanges whose accounts might be adversely impacted but which might not be writing to IASB on this point.

We thank you for inviting public responses to this Exposure Draft.

Sincerely yours,



Ronald Arculli
Chairman World Federation of Exchanges
Chairman Hong Kong Exchanges and Clearing



Thomas Kloet
Chairman WFE Working Committee
CEO TMX Group

Cc: WFE Board of Directors
Thomas Krantz, WFE
Linda de Beer, Chairman of the IAASB Consultative Advisory Group
WFE Secretariat