Swiss Re

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Comments to Revised Exposure Draft on Earnings per Share (EPS)

Swiss Re, as one of the world's leading reinsurers, supports the FASB's objectives in improving Accounting Standards. Swiss Re, operating through more than 70 offices in more than 30 countries, is exposed to accounting regulations issued by many different national standards setters, regulatory and tax authorities. Currently, Swiss Re Group's financial statements are published in accordance with Swiss GAAP (FER).

We have the following comments on the issues identified in the Exposure Draft.

Extinguishment of a liability for to be assumed proceeds

Issue 1

We agree with the proposal that, in applying the treasury stock method to an instrument classified as a liability but potentially settled in shares, the carrying amount of an extinguished liability upon issuance of the shares should be included as assumed proceeds in the computation of incremental shares. However, this proposal is not consistent with the objective of the short-term international convergence project as it would create a difference to IFRS. We believe that a difference should not be created unless it is expected to achieve convergence through a change to IFRS.

Issue 2

We support the alternative approach to measure the liability used in the assumed proceeds computation at the value at which the liability would have been recorded at the end of the period had the end of the period share price been equal to the average share price during the period, because we believe that an instrument subject to the treasury stock method that is classified as a liability should not be dilutive. We also believe that, in practice, the guidance would be clearer if instruments subject to the treasury stock method that are classified as a liability are exempted from the calculation of diluted EPS.

We appreciate the opportunity to comment on the Exposure Draft. Please do not hesitate to contact me if you have any questions regarding our comments.

Yours sincerely,

M. Sveus.

Mark Swallow Chief Accounting Officer Swiss Reinsurance Company