CAPITAL INTERNATIONAL LIMITED
40 Grosvenor Place, London, SW1X 7GG UK
Telephone 00 44 207 864 5000

Letter of Comment No: 5744
File Reference: 1102-100

Peter Armitage
Chairman

2nd July 2004

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

File Reference No. 1102-100
Via Email: director@fasb.org

Dear Members of the Board,

Capital International Limited, under the Capital Group International, Inc. umbrella, serves institutional and private client investment funds and has approximately $66.7 billion in assets under management.

I am writing to you to convey our strong support of the FASB's proposal for expensing equity-based compensation through the income statement. We believe stock options are a form of compensation, and therefore an expense that should be included, along with all other cash and non-cash forms of compensation, in the calculation of earnings. Expensing the fair value of stock options through the income statement will enhance accountability and make it easier for investors and executives to monitor stock-based compensation expense.

We recognise that option valuation is complicated and is based on assumptions (like constant interest rates, expected volatility, and dividend yields) that frequently do not reflect actual experience. Nevertheless, we believe sufficiently strongly in the principle of expensing stock options that we consider the benefits to be gained by expensing options, even with an imperfect accounting methodology, to outweigh the costs of not expensing them.

Investors take quality historical information and forecast it to determine the future growth prospects and values of the companies in which we invest. Unless your accounting standards provide us with sufficient disclosures, reported financial statements do not allow us to forecast, and the disclosures lose their value. Here is what we would like to see in disclosures for equity compensation (in addition to your proposal), so we can do better our jobs as analysts:

- How much equity-based compensation is included in the various expense lines on the income statement
- The sensitivity of option expense to the expected volatility assumption, or other volatility disclosures that would enhance comparability and market discipline
- Better disclosures about vesting periods of the plans
- Timing of grants
- Disclosures of forfeiture assumptions and true-up adjustments to help reconcile the difference between fair value per share and equity-based compensation recognised
- Range for expected number of shares to be granted in the following year

We would be happy to discuss this further if you would like. Thank you for considering our views on this important issue.

Sincerely,

Peter D. Armitage

Peter Armitage