



Mark Merson
Financial Controller
Barclays PLC
One Churchill Place
London E14 5HP

October 11, 2005

Lawrence Smith
Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Letter of Comment No: 14
File Reference: 1210-001

Dear Mr. Smith

Re: Reference No. 1210-001, Proposed Statements of Financial Accounting Standards, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140

Barclays is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Barclays is a foreign private issuer that has historically submitted interim and annual financial statements to the SEC with US GAAP information provided in the form of the Item 18 reconciliation.

As a company that prepares its primary financial statements in accordance with International Financial Reporting Standards ('IFRS') we are supportive of the FASB's on-going efforts to publish accounting guidance with an aim towards achieving convergence.

We welcome the opportunity to comment on the hybrid instruments exposure draft and would like to take this opportunity to discuss with the Board our concerns regarding the scope and effective date of the proposed standard.

Specifically we would like the Board to consider addressing two issues within the final statement that we feel will improve consistency of financial reporting and promote convergence between IFRS and US GAAP.

While we do not specifically comment on the other aspects of this exposure draft or the FASB's proposed amendment to Statement 140 relating to Accounting for Transfers of Financial Assets in this letter, we are members of the International Swaps and Derivatives Association ("ISDA") as well as the American Securitization Forum and support the comment letters submitted by these organisations.

Fair Value Election

Issue 1: *Do you support the Board's decision to permit fair value remeasurement for hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation?*

We fully support the Board's decision to permit the fair value of hybrid instruments that contain an embedded derivative that otherwise would require bifurcation. However, we would like the Board to consider expanding the election to include any hybrid instrument that contains an embedded derivative, regardless of whether or not that derivative would otherwise have been required to have been reported separately.

The determination of whether or not an embedded derivative is 'clearly and closely' related to a host contract can be complex and the accounting analysis represents a significant operational burden. Additionally, many hybrid instruments contain structured embedded derivatives that are not required to be reported separately based on the existing embedded derivative rules within FAS 133. However, these instruments are often risk managed on a similar basis as those that require separation. By requiring an entity to measure these instruments differently for accounting purposes, the proposed guidance creates a mixed attribute model of accounting for hybrid financial instruments that a company views consistently from a risk management perspective.

The proposed expansion of scope would eliminate the concerns highlighted above by easing the operational burden of evaluating embedded derivatives as well as aligning this election with that currently permitted for hybrid financial instruments in the Amendments to International Accounting Standard 39 Financial Instruments: Recognition and Measurement -The Fair Value Option.

The provisions of paragraph 11 (a) of the amendment state that 'if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless:

- (a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract;
- or
- (b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

Additionally, the IASB provided the following guidance in IAS 39A paragraph G33A: "These requirements [to separate embedded derivative] can be more complex, or result in less reliable measures, than measuring the entire instrument at fair value through profit or loss. For that reason this Standard permits the entire instrument to be designated as at fair value through profit or loss"

Furthermore in the basis for conclusion paragraph 78 the IASB noted:

"limiting the use of the fair value option to situations in which the embedded derivative must otherwise be separated would not significantly reduce the costs of compliance and could result in less reliable measures being included in the financial statements. Therefore, the Board decided to specify situations in which an entity cannot justify using the fair value option in place of assessing embedded derivatives—when the embedded derivative does not significantly modify the cash flows that would otherwise be required by the contract or is one for which it is clear with little or no analysis when a similar hybrid instrument is first considered that separation is prohibited"

We believe adding similar language to the final statement would address the concerns that we have raised, promote greater consistency of reporting and would signify a step towards overall convergence between IFRS and US GAAP.

If the Board believes that this objective cannot be accomplished without delaying the finalisation of the current exposure draft, Barclays would encourage the Board to address this issue through the timely issuance of the Fair Value Option Standard.

Effective Date

Issue 4: This proposed Statement would be applicable to all instruments obtained or issued after the earlier of fiscal years beginning after December 15, 2005, or fiscal years that begin during the fiscal quarter in which the Statement is issued, if applicable. Do you believe that the effective date provides sufficient time for implementation by calendar year reporting enterprises?

We believe that the election should be made available for existing instruments that have previously been bifurcated as of the effective date of the proposed guidance.

We understand the Board is concerned with the inconsistent application of the fair value election at transition, however we feel that the exposure draft would result in greater inconsistency over the long-term as companies apply multiple accounting models to similar hybrid financial instruments. Additionally, the current transition rules would result in the continuation of the existing accounting differences between IFRS and US GAAP relating to hybrid instruments for a significant period of time due to the long-term nature of many of these financial instruments.

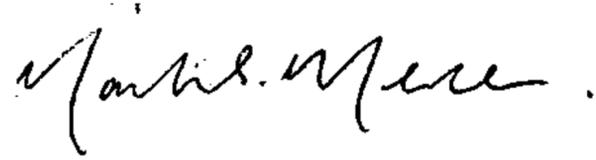
By permitting a one-time election to re-measure hybrid financial instruments at fair value upon the effective date of the final statement the Board would achieve convergence with IFRS.

Conclusion

We strongly support the FASB's move towards fair value accounting and convergence with IFRS and believe the issuance of this Standard will be a significant step towards achieving this goal. We believe that the proposals that we have raised within this letter address our concerns around convergence and are consistent with the Board's stated objectives.

We would welcome the opportunity to discuss this further with you, or to answer any questions you may have. Please contact Chris Weidler on +44 (0) 207 773 7167 for further assistance.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mark Merson". The signature is written in a cursive style with a small dot at the end.

Mark Merson
Financial Controller
Barclays Bank PLC