



31 August 2009

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Board Members:

Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF), the accounting standards setter body in Mexico, welcomes the opportunity to submit its comments on the proposed amendment to IAS 32, Classification of Rights Issues. Set forth below you will find our comments to the topics included in the Exposure Draft.

### **Our viewpoint**

We believe that in rights issues there is a transaction with stockholders in their capacity as stockholders. Therefore whatever amount is paid by the stockholders that decide to subscribe the right issues should be considered as equity, independently that the amount to be paid may be variable if it is paid for a fixed amount of foreign currency or paid in the functional currency.

In certain cases, the amount to be paid may be determined in constant units of the functional currency, if payments are to be made in several months. Also an interest on the amount pending to be paid could be agreed. That could be considered to be a variable amount since the future price level index is unknown, however the amounts that have already been paid should be considered as equity and not as a liability as these amounts are nor to be reimbursed.

We are not sure if it is a derivative, because a derivative is an instrument that can be settled net, and this is not the case in this transaction. Also it does not have a notional amount or underlying related to another instrument, which can cause a change in value of the right issue, other that being in a different currency than the functional currency of the entity. We believe this should be considered by the Board.

### **Questions for respondents**

Set forth below are our answers to the questions included in the Request for Information:

#### **Question 1 - Specifying the characteristics of the rights issues**

*The proposed amendment applies to instruments (Rights) to be offered pro rata to all existing owners of the same class of equity instruments and the exercise price to be a fixed amount of cash in any currency. Do you agree with the proposal to limit the amendment to instruments with these characteristics? If not why? Are there any other instruments that should be included and why?*

We agree with the proposal to limit the amendment to instruments with the characteristics indicated above. We suggest that other instruments, whose amount may be variable, such as those with a price level adjustment or interest on the amount pending to be paid, be also considered in the amendment.

## **Question 2 – Specifying the currency of the exercise price**

*The proposal amendment specifies that the fixed amount of cash the entity will receive can be denominated in any currency. If that currency is not the entity's functional currency or reporting currency, the proceeds it receives from the issue of its shares will vary depending on foreign exchange rates. Do you agree with the proposal to permit an entity to classify rights with the characteristics set out above as equity even if the exercise price is not fixed in its functional or reporting currency? If not why?*

We agree with the proposal and that the amounts paid when the rights are issued are equity and not a liability even if denominated in a currency different from the functional currency of the entity.

## **Question 3 – transition**

*The proposed change would be required to be applied retrospectively with early application permitted. Is the requirement to apply the proposed change retrospectively appropriate? If not, what do you propose and why?*

We agree with the retrospective application of the amendment.

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Should you require additional information on our comments listed above, please contact Juan M. Gras at (52) 55 5596 5633 ext 105 or me at (52)55-5596 5633 ext 103 or by e-mail at [jgras@cinif.org.mx](mailto:jgras@cinif.org.mx) or [fperezcervantes@cinif.org.mx](mailto:fperezcervantes@cinif.org.mx), respectively

Sincerely,

C.P.C. Felipe Perez Cervantes  
President of Consejo Mexicano para la Investigacion y Desarrollo  
de Normas de Informacion Financiera (CINIF) (The Mexican  
Financial Reporting Standard Board – MFRS)