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Accounting Policies and Support

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The Standing Interpretations Committee
International Accounting Standards
Board (IASB)
30 Cannon Street
London EC4M 6XH
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March 21, 2002

RE: Amendment to IAS 19, Employee Benefits: The Asset Ceiling

Dear Board Members:

UBS AG appreciates the opportunity to comment on the Exposure Draft of a proposed amendment to IAS 19. UBS AG utilizes IAS as its primary reporting framework and is one of the largest companies of any kind to have adopted IAS. We have an interest in the further development of these standards and support the work of the IASB. We hope you find our comments useful.

In general, we do not agree with the need for a revision to the current IAS 19. We believe that the proposed changes contradict the fundamental principles of the recognition of actuarial gains and losses as currently described in IAS 19 and therefore question the appropriateness the IASs decision on this approach. Additionally, we believe that the proposal is very confusing and will add unnecessary complexity to an already complex standard.

Actuarially determined figures represent an estimate of future expectations. Upon actual occurrence of events, differences between the actual and estimate arise. IAS 19.95 currently states that in the long term, actuarial gains and losses may offset one another. As such, entities are only required to recognize a portion of these gains or losses, which fall outside a corridor. The proposed requirement to recognize actuarial losses (gains) to the extent that they exceed any reduction (increase) in the present value of economic benefits available, essentially speeds up the deferral of these amounts which is a fundamental part of the current standard and enables comparability with other national standards, most notably US GAAP. The introduction of the proposed rules, will introduce an additional reconciling item for those entities that currently reconcile to US GAAP. . The IAS has continually stated that it intends to move towards convergence with National accounting standards. In an effort to maintain comparability and the preserve the current IASB consensus for recognizing actuarial gains and losses we do not believe that IAS 19 should be amended.

Additionally, we would like to express our concern over the 30-day comment period, for this proposed change. The proposed changes raised in the Exposure Draft are very complex and required extensive evaluation in order to determine their potential impact. We believe that all IASB Exposure Drafts should have at a minimum a 90 day comment period.

Please see our answers to your specific questions below.

Question 1 : Is the issue identified of sufficient importance to warrant a limited amendment to IAS 19?

We do not believe that the issue identified is of sufficient importance to warrant a limited amendment to IAS 19. As stated in IAS 19, actuarial gains and losses will most likely offset over time. As such, any gains recognized as a result of falling market conditions in one year, will likely be offset by a loss in another year. We do not believe that any gains or losses recognized as a result of the current provisions under IAS 19 will be significant nor will they mislead investors as to the financial position of an entity.

Questions 2 : If so, does the proposed amendment to IAS 19 (paragraph 58A) appropriately address the issue? Does it create any anomalies? If the proposed amendment is inappropriate, can you suggest an alternative?

If implemented, the proposed amendment addresses the issue and will eliminate the recognition of gains as a consequence of actuarial losses. Due to the fact that any immediate recognition of actuarial gains/losses and past service cost as described in proposed paragraph 58A will be offset with any asset ceiling adjustments, the suggested changes will not have an adverse or beneficial effect on an entities defined benefit accounts.

Question 3 : Should the limited changes become effective for accounting periods ending on or after March 2002, with earlier application encouraged (paragraph 1 59A)?

If implemented the changes should become effective for accounting periods ending on or after March 2002, with earlier application encouraged.

Question 4 : Do you agree that there should be no specific transitional provisions for the limited changes proposed in this exposure draft? Consequently, IAS 8 'Net Profit or Loss for the Period, Fundamental Errors an Changes in Accounting Policies' will apply to any changes in accounting policies that are made to comply with IAS 19 if amended as proposed (paragraph 160).

If implemented the proposal that these changes be applied retrospectively and believe that entities should have the necessary information available to make the appropriate adjustments.

We very much appreciate the opportunity to comment, and are willing to discuss our comments with you at your convenience. Our contact on the subject is Ralph Odermatt, Managing Director.

Yours sincerely,

UBS AG

William F. Widdowson
Managing Director

Ralph Odermatt
Managing Director