香港會計師公會
HONG KONG SOCIETY OF ACCOUNTANTS
(Incorporated by the Professional Accountants Ordinance, Cap. 50)

By air-mail and e-mail <CommentLetters@iasb.org.uk>

Our. Ref.: C/FASC 7 March 2003

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

Dear Sir/Madam,

Exposure Draft
ED 2 *Share-based Payment*

The Hong Kong Society of Accountants (HKSA) welcomes the opportunity to provide you with our comments on the Exposure Draft ED 2 *Share-based Payment*.

We set out in the attachment our response to the questions raised in your Invitation to Comment.

The HKSA has a policy of converging its Statements of Standard Accounting Practice with the International Accounting Standards Board's Standards. The standard setting due process applied in Hong Kong (details of which are available on the HKSA's website) acts to support this policy. The HKSA's Financial Accounting Standards Committee (FASC) issued an Invitation to Comment on the exposure draft with a comment period concurrent with that set by the IASB. Accordingly, the accompanying comments may reflect the views not only of members of the FASC but also of constituents in Hong Kong who provided comments to the HKSA.

We fully support the move to expense share-based payments but are concerned at the complexity of the standard and, because of this, we are concerned that it may lead to 'counter-intuitive' results being reported. We strongly recommend that the IASB conduct extensive field-testing in a broad variety of jurisdictions and on private as well as public companies before committing to a standard based on this ED.

If you have any questions on our comments, please contact our Deputy Director - Accounting, Mr. Simon Riley, in the first instance.

Yours faithfully

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Hong Kong Society of Accountants' comments on Exposure Draft ED 2, Share-based Payment

Question 1

Is the proposed scope appropriate?

We believe that the scope of the proposed IFRS is generally appropriate. We do believe, however, that wholly cash-settled transactions are covered under IAS 39 and that the demarcation between the proposed IFRS on share-based payment and IAS 39 should be made clearer in respect of share-based payments that give rise to financial instruments.

Regarding paragraph 2 of the ED, it is not clear to us whether share-based payments relating to associates and joint ventures (from either the investor's or investee's point of view) is intended to be included within the scope of the proposed IFRS. Such transactions may involve, for example, the employees of a joint venture receiving remuneration in the form of share options from an investor. We believe that such transactions should be included within the scope and recommend that the ED be clarified in this respect.

Many comments contained in this letter are premised on our understanding that the overriding objective of the proposed IFRS is to ensure that an expense is recognised periodically to reflect the fact that an entity receives services when consideration for those services is in a form other than cash. Relating this objective to the scope, it is not clear as to whether the proposed IFRS would require an apportionment of the expense associated with a share-based payment when the recipient may work for more than one entity within a group, for example, the Chief Financial Officer of the holding company who is also a director on the board of one or more subsidiary companies. The issue here is whether the share-based payment be recognised as an expense entirely within the holding company (the payer) or in the financial statements of the entities that receive the services provided and, if the latter, the basis on which the expense should be apportioned. This issue would be of concern, for example, in the case where both the parent and subsidiary companies have publicly-traded securities.

Question 2

Are the recognition requirements proposed in paragraphs 4-6 of the draft IFRS appropriate?

We believe that the recognition requirements proposed in paragraphs 4-6 of the draft IFRS are generally appropriate.

We would comment, however, that by their nature, services cannot be stored nor can the risk and rewards associated with services be in transit as at balance sheet date but this is possible in the case with goods. The word "obtains" appears in paragraph 4 appears to suggest recognition of goods only takes place on physical delivery when, in fact, the contractual terms under which the goods are obtained means that the entity has title to those goods – and has a corresponding liability to the vendor – in advance of actual physical receipt. The drafting in paragraph 7 suggests the receipt of goods and services, yet the drafting in paragraph 4 suggests that goods are "acquired" and/or "obtained" whilst services are "received".

In keeping with the ED's overriding objective to ensure that an expense is recognised periodically to reflect the fact that an entity receives goods or services when consideration for those goods or services is in a form other than cash, we would recommend that the recognition of such goods or services be consistent with a number of other standards such as IAS 2 and IAS 14.

Question 3

Is the measurement principle proposed in paragraph 7 appropriate?

We do not believe the measurement principle proposed in paragraph 7 is generally appropriate. We are concerned that the ED appears to propose the introduction of a new measurement principle with the term, "readily determinable". This is not in line with other Standards where measurement *reliability* is a key factor.

We believe that if ‘reliably determinable’ were to replace ‘readily determinable’, the preferences in paragraph 7 may become irrelevant – measurement would not necessarily be determined on the basis of which is easiest but, rather, on which is best and most appropriate.

Question 4

Do you agree that the date when the entity obtains the goods or receives the services is the appropriate date at which to measure the fair value of the goods or services received?

We do not agree that the date when the entity obtains the goods or receives the services is the appropriate date at which to measure the fair value of the goods or services received.

Such a proposal is inconsistent with the principle underlying the use of the grant date as a reference point for measuring the fair value of the goods or services received when that value is more readily determinable. The grant date is when the entity and the supplier of goods and/or services form a binding agreement, and it is at this time that an executory contract exists to which both parties are committed, not the date (or period) on which such goods and/or services are delivered to the entity.

In cash-based transactions, the value of contractual consideration is established when the contract becomes binding between the parties at the point of agreement, not when specific performance takes place. As reflected in paragraph BC.125 of the Basis for Conclusions on ED 2, ordinarily this would not give rise to a significant accounting issue when specific performance under a contract is completed within a short time frame after the contract became binding but there may be instances where goods and/or services are delivered over a longer time frame and for which fair values may tend to fluctuate. The value reflected in financial statements for the purchase of goods and/or services should reflect the contractually agreed values, not the fair values as at the time specific performance occurs. We found the IASB’s Basis for Conclusions in this area to be somewhat inconclusive.

Question 4 in the Board’s Invitation to Comment on ED 2 gives rise to an interesting area in fair value accounting – whether the presence of values in a binding enforceable contract (which is not subject to any significant degree of default risk) should be an indicator of fair value in the financial statements. We believe that transactions should be first and foremost accounted for in terms of their contractual substance. If a particular price has been agreed as between the parties concerned, then this should be the value reflected in the financial statements.

Question 5

Do you agree that grant date is the appropriate date at which to measure the fair value of the equity instruments granted?

Consistent with our views expressed in response to question 4, we agree that the grant date is the appropriate date at which to measure the fair value of the equity instruments granted. It is presumably at this date when the bargain between the entity and the supplier of goods and/or services is struck and that any subsequent alterations to the bargain are accounted for if and when such an event takes place.

Question 6

For equity-settled transactions with parties other than employees, do you agree that the fair value of the goods or services received is usually more readily determinable than the fair value of the equity instruments granted?

Consistent with our reply on question 3 above, we consider that the Board should simply the draft IFRS by making the requirement in paragraph 7 apply on an equal basis regardless of whether the share-based payment is made to employees or non-employees. The general principle should be that such transactions reflect the most reliable measurement rather than rely on what may be, at the margin, an arbitrary distinction between an “employee” and a party other than an employee.

In terms of the issue raised in question 6, both values would tend to be subjective when there is no cash benchmark; such is the inherent nature of fair value. But with suppliers other than employees, we would imagine that there is usually a cash benchmark against which one can form an opinion on the reasonableness of attributed fair value. If the IASB does wish to keep a difference in accounting treatment in equity-settled transactions with employees as distinct from parties other than employees, we would agree with the rebuttable presumption in paragraph 9.

Question 7

For equity-settled transactions with employees, do you agree that the fair value of the equity instruments granted is more readily determinable than the fair value of the employee services received?

Consistent with our response on questions 3 & 6 above, in our view the fair value of the equity instruments granted would, in the vast majority of cases, be more readily determinable than the fair value of the employee services received, especially when no cash benchmark may exist within the entity for similar services, service potential and skill sets for any given employee. However, there may be occasions when this presumption does not hold, for example, (1) a large assembly line with a generally homogenous work force; or (2) the equity instruments are actually shares, without any conversion features, and which are subject only to a vesting period. We believe that the proposed IFRS should provide for the presumption to be rebutted when this might be appropriate.

Question 8

Do you agree that it is reasonable to presume that the services rendered by the counter-party as consideration for the equity instruments are received during the vesting period?

Whether an expense is recognised in full in the grant period or over one or more additional periods before vesting should depend whether the employee is required to provide service *as a condition* for the options to vest. There may be situations where the options do not vest for one or more periods and yet the employee has not had to provide any service to the entity in one or more of the periods pre-vest date *as a condition* for the shares to vest, for example, in the case where vesting is determined on the basis of the specific employee's performance, the performance of the entity as a whole, or some other exogenous factor such as being conditional on the successful future public listing of the entity's equity securities. In such situations, it can be difficult to determine when the entity receives the services from an employee and/or the period over which service delivery should be recognised.

This may not be a situation ordinarily encountered but we would think it unwise on the part of the IFRS to presume that it could never happen. The wording of paragraph 14 should therefore be in relation to the units of service necessarily provided by the employee as a condition for the shares to vest. If there were a vesting period, but no such service condition, the share-based payment would therefore effectively be accounted for under paragraph 13. But, because of the wording in paragraph 14, it is difficult to see whether one should apply either paragraph 13 or paragraph 14 to a plan that has a vesting period but no service condition. In such a case, it appears intuitive that paragraph 14 be applied but that the entire expense be recognised immediately.

Where a transaction is in relation to non-employees and the indirect method is used to calculate the fair value of goods or services, it would also appear from the ED unclear as to whether the entity follows the last sentence of paragraph 14 or the unit of service approach in paragraph 15.

Question 9

(a) **Do you agree that if the fair value of the equity instruments granted is used as a surrogate measure of the fair value of the services received, it is necessary to determine the amount to attribute to each unit of service received?**

(b) **If an entity is required to determine the amount to attribute to each unit of service received, do**

you agree that this should be calculated by dividing the fair value of the equity instruments granted by the number of units of services expected to be received during the vesting period?

In relatively simplistic situations the proposition in question 9 would appear to be the most appropriate answer, and probably should apply to goods as well when the indirect method (cf. paragraph 7) is applied. The proposed IFRS should make it clear, however, that a “unit of service” need not solely be time based.

When more complicated share-based payment scenarios are encountered, however, (such as those with performance-linked vesting criteria), we would express our concerns in respect of the reliability of calculations proposed in the ED and financial statement understandability.

The current model for allocating the fair value to service units appears to result in some strange recognition issues. If all the vesting and performance factors are built in then an allocation to the vesting period on a straight-line basis appears appropriate.

Our understanding is that where the only performance requirement is related to time of service then a more simplistic method of allocation is by not estimating of length of service but ceasing to accrue when an individual leaves. This is both simple and more accurate a method of reflecting the expense. This methodology could also be applied in the case of performance-based criteria rather than estimating the likelihood of the criteria being meet the entity could cease recognition of the expense when it is “probable/remote” that the condition will not be meet. The methodology proposed in the ED, by contrast, is overly complicated and would give rise to inaccurate results.

Question 10

Do you agree with the requirement proposed in paragraph 16?

We agree with this proposal.

The primary focus of the IFRS is to require debits to be recorded in the financial statements when goods or services are received by an entity for which the enterprise does not pay cash but rather by the issue of shares or potential shares in exchange. Such debits (with the possible exclusion of cash-settled share-based payments) have historically not been recorded in financial statements. As with most transactions or events that have a direct impact on equity, the proposed IFRS appears less concerned with the precise nature of the credit side of the transaction (especially for equity-settled share-based payments). Often, one finds that the accounting for equity is a matter governed by law. For example, in Hong Kong, company law requires the amount of shares issued at par to be accounted for separately from share premium and retained earnings capable under the law of being distributed to shareholders by way of dividend. We would consider it useful if the Implementation Guidance could address the issue of transfers within equity, for example in the establishment of a share option reserve account and the consequences of those options either vesting or otherwise.

We agree with paragraphs BC.98 – 104 of the Basis for Conclusions that the remeasurement of equity is inconsistent with the framework. If one takes the preparation of financial statements under a fair value model to its logical extreme, because equity is simply the residual after realisation of all assets and liabilities, equity would be (at least in theory) remeasured to fair value at every balance sheet date.

We would also see any proposed remeasurement of potential shares subsequent to grant date as being administratively inconvenient as well as financial statement neutral (at least for the impact on retained earnings capable of distribution) because the increase in equity on recognition of an asset or expense in an equity-settled payment is offset by a reduced appropriation to retained earnings.

A share option granted to an employee for services yet to be rendered is essentially consideration promised in connection with an executory contract. As with any executory contract, both parties may complete their promised performance, one or both parties may not complete their promised performance, or the value of the consideration may vary by the time the contract becomes executed.

For equity-settled transactions, any variation in the value of the consideration originally promised by the entity should not, we believe, result in any financial statement adjustment on the part of the entity. This is akin to a situation, for example, where an entity has a reporting currency of USD and has promised to pay an employee in USD but the employee's reporting currency is GBP. The fact that the value of the USD relative to the GBP may change during the duration of the contract will give rise to a financial statement adjustment on the part of the employee but does not give rise to a financial statement adjustment on the part of the entity (employer).

We would recommend that the credit arising from the recognition of a share-based payment settled by the issue of potential shares be presented separately, and an intra-equity transfer arise only when the potential shares are either converted into shares or lapse.

Question 11

Do you agree that an option-pricing model should be applied to estimate the fair value of options granted?

Yes. Where a more reliable method does not exist then we would agree with the proposition in question 11 and would refer you to our comments on questions 3, 6 & 7. We also agree with the benchmark criteria supplied in paragraph 20 by which one can establish whether any particular option-pricing model is appropriate for the purposes of the IFRS but, given that slight variations in assumptions may lead to significant differences in results, we would welcome additional guidance, possibly by way of a 'white list' and/or 'black list', as to which models may or may not be appropriate given certain circumstances. We believe that the IASB, prior to finalising the IFRS, should engage in field-testing of the approach considered most appropriate, and that this field-testing should be broadly based in a number of different parts of the world and in both public and private companies.

Question 12

Do you agree that replacing an option's contracted life with its expected life when applying an option pricing model is an appropriate means of adjusting the option's fair value for the effects of non-transferability?

We agree. However, we believe there may be practical implementation issues in estimating the expected life of an option in place of using contracted life and suggest that further guidance should be provided in the IFRS.

Question 13

Do you agree that vesting conditions should be taken into account when estimating the fair value of options or shares granted?

We agree in principle that vesting conditions should be taken into account when estimating the fair value of options or shares granted to reflect the likelihood in most cases that less than 100% of the grantees will ultimately qualify for the entitlement.

With reference to our response on question 8 above, however, this is a very complex issue over which little guidance has been given. In particular at a minimum consideration should be given to vesting condition that are not related to performance or not under the control of the counter party and also the process of modify a pricing model for conditions that include interdependencies. We are also concerned that the adjustments as proposed in the ED are somewhat arbitrary and thus give rise to doubts over the reliability of measurement. We believe that the proposition in question 13 is another that lends itself to the field-testing recommended elsewhere in this comment letter.

Question 14

Is this requirement proposed in paragraph 25 appropriate?

We do not agree that the requirement proposed in paragraph 25 is entirely appropriate. A choice of treatments may give rise to inconsistent results. For example, there may have been a credit recognised (either as a liability or equity) for the issue of potential shares prior to the activation of a reload feature and, as a consequence of the reload, such a credit may no longer be appropriate. We believe the IFRS should indicate the effect on any credit previously recognised when a reload feature, not previously taken into account in the measurement of the fair value of the options granted, is activated.

Question 15

Are there other common features of employee share options for which the IFRS should specify requirements?

Other common features of employee share options for which we believe the IFRS should specify requirements include:

- ✓ Performance features and vesting conditions that are not evenly spread over time
- ✓ Options with a variable exercise price or where the number of shares ultimately to be issued is not fixed
- ✓ Tax gross up – the effect of an employee paying income tax on exercise
- ✓ Non-compete agreement
- ✓ Transferability restriction

Question 16

Do you agree with the approach whereby the draft IFRS does not contain prescriptive guidance on the estimation of the fair value of options?

We are generally supportive of this and, with reference to our comments on question 11 above, would welcome empirical evidence from field-testing to provide additional guidance on which models might and might not be appropriate given certain circumstances.

Question 17

Do you agree that the incremental value granted should be taken into account when measuring the services received, resulting in the recognition of additional amounts in the remainder of the vesting period?

Our response to this question is dependent on two factors; first, whether a new contract is considered to arise in the circumstances covered by question 17 and, second, whether the incremental approach causes (or should cause) any differences in calculations as compared to what might be termed a "discrete contract" approach.

We believe that some commentators may suggest that the activation of a variation clause within a previously agreed contract does not give rise to a new contract and therefore the accounting for the variation at the margin in such circumstances as per the proposition in question 17 would be appropriate. Our view, however, is that repricings and other variations to a share option scheme are not typically minor tweaks but rather do result in a significantly different nature of options existing after the variation than before. Accordingly, we would prefer a discrete contract approach to apply in such circumstances, assuming this would give rise to a different result from simply accounting for a variation at the margin, and to cease the recognition of expenses under the pre-existing arrangements and commence recognition of expenses under the new arrangements at the time the variation takes effect. We believe this approach is more analogous (if, indeed, there is any difference at all) to salaries paid in cash when an employee's pay conditions are changed.

Question 18

If an entity cancels a share or option grant during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the draft IFRS proposes that the entity should continue to recognise the services rendered by the counter-party in the remainder of the vesting period, as if that grant had not been cancelled. The draft IFRS also proposes requirements for dealing with any payment made on cancellation and/or a grant of replacement options, and for the repurchase of vested equity instruments.

Are the proposed requirements appropriate?

Consistent with our response on question 17 above, unless such cancellation was factored into the fair value measurement of the share or option (per paragraph 24), we would not agree with the proposal that entity should continue to recognise the services rendered by the counter-party in the remainder of the vesting period, as if that grant had not been cancelled. It would seem nonsensical that an expense continues to be recorded in such circumstances when the entity is not providing any consideration in return for the receipt of such goods and/or services.

Question 19

For cash-settled share-based payment transactions, the draft IFRS proposes that the entity should measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity should remeasure the fair value of the liability at each reporting date, with any changes in value recognised in the income statement.

Are the proposed requirements appropriate?

We do not agree. As per our response to question 1 above, we consider that cash-settled share-based payments should fall outside the scope of the proposed IFRS and be treated under the requirements presently existing within IAS 37 and IAS 39.

Question 20

For share-based payment transactions in which either the entity or the supplier of goods or services may choose whether the entity settles the transaction in cash or by issuing equity instruments, the draft IFRS proposes that the entity should account for the transaction, or the components of that transaction, as a cash-settled share-based payment transaction if the entity has incurred a liability to settle in cash, or as an equity-settled share-based payment transaction if no such liability has been incurred. The draft IFRS proposes various requirements to apply this principle.

Are the proposed requirements appropriate?

Consistent with our comments on question 19 above, if the settlement for goods or services received by the entity may be in shares or cash at the discretion of the vendor (that is, the mode of settlement is outside the entity's control) then we believe the proposition in question 20 would be appropriate. Consistent with the approach in IAS 32 & IAS 39, it would appear that settlement in this manner might give rise to a liability with a derivative element. We would recommend that the proposed IFRS provide further guidance in this area and also include a cross-reference to IAS 32 & IAS 39 in respect of accounting for the financial instrument.

If, however, the mode of settlement is within the entity's control, we believe the transaction should be accounted for as an equity-settled share-based payment transaction only if it is probable that the entity would eventually settle the transaction in this manner, irrespective of whether or not the entity has been a past history of doing so. Any alternative approach, we believe, would result in the understatement of an entity's liabilities.

Question 21

The draft IFRS proposes that an entity should disclose information to enable users of financial statements to understand:

(a) The nature and extent of share-based payment arrangements that existed during the period,

(b) How the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined, and

(c) The effect of expenses arising from share-based payment transactions on the entity's profit or loss.

Are these disclosure requirements appropriate?

The proposed disclosures are very extensive and it would appear appropriate for consideration to be given to simplifying the level of detail required to be disclosed, with sufficient information required in respect of key details of plans, accounting policy, option pricing models and key assumptions applied, amounts recorded in financial statements, and details where rebuttable presumptions have been rebutted.

We believe that the disclosure proposed in paragraph 48(f) is not very helpful and should be deleted.

Consistent with our response to question 10 above, we would recommend that credits to equity arising from the recognition of an asset or an expense, that are paid for by the issue of potential shares, be presented separately from other components of equity until such time as the potential shares vest or lapse.

Question 22

The draft IFRS proposes that an entity should apply the requirements of the IFRS to grants of equity instruments that were granted after the publication date of this Exposure Draft and had not vested at the effective date of the IFRS. It also proposes that an entity should apply retrospectively the requirements of the IFRS to liabilities existing at the effective date of the IFRS, except that the entity is not required to measure vested share appreciation rights (and similar liabilities) at fair value, but instead should measure such liabilities at their settlement amount (i.e. the amount that would have been paid on settlement of the liability had the counter-party demanded settlement at the date the liability is measured).

Are the proposed requirements appropriate?

We appreciate that the proposition in question 22, to effectively 'grand-father' grants of equity instruments prior to the publication of the ED, is designed as an anti-avoidance measure, to put entities on notice that the new rules will apply as from the time the ED was published and to close any loophole with regard to options issued subsequently but before the finalised IFRS comes into effect. However, we are somewhat concerned about the proposed 'partial-retrospective' approach, especially when there is potential for the finalised IFRS to be significantly different in certain respects from the ED. We consider that 'grand-fathering' criteria should be based on the effective date of the standard (expected to be 1 January 2005), and that an entity should apply the standard to options granted and not yet vested at the effective date of the standard.

Consideration could be given to permit, but not require, entities to apply the proposed IFRS on a fully retrospective basis to provide a more meaningful representation of share-based payment expense for those equity instruments granted, but not yet vested, prior to publication of the ED. Where an entity chooses not to apply the IFRS on a fully retrospective basis, adequate disclosure should be required in respect of such equity instruments granted, but not yet vested, prior to publication of the ED.

In respect of paragraph 55 of the ED, consistent with our comments on other questions, we would consider that liabilities arising from share option schemes should be within the scope of standards such as IAS 32, 37 and IAS 39 rather than under the proposed IFRS. If there liabilities that do arise from the first time application of the proposed IFRS, however, we consider that they should be reported in accordance with IAS 8.

Question 23

The draft IFRS proposes a consequential amendment to IAS 12 (revised 2000) *Income Taxes* to add an example to that standard illustrating how to account for the tax effects of share-based payment transactions. As shown in that example, it is proposed that all tax effects of share-based payment transactions should be recognised in the income statement.

Are the proposed requirements appropriate?

Yes.

Question 24

We have no additional comment on the differences that currently exist between SFAS 123 and the proposals in the ED other than as reflected in our comments above.

Question 25

Do you have any other comments on the Exposure Draft?

Our further comments are summarised below:

- ✓ In applying transitional provisions consideration should be given to the non-listed entities to extend the transition period while practical experience and addition guidance on application is developed.

- ✓ More examples could be given based on real-world types of option (the field-testing we recommend above would be helpful in this regard).

- ✓ Example of the treatment of graded vesting such as given in FAS123 would be useful.

- ✓ A critical component in the option-pricing model is the volatility beta. In this regard we would like to see more guidance on this such as that found in the supporting material similar to FAS123. We also believe some guidance on the application of the beta is necessary to ensure consistent use.

    1) Period to be used
    2) Adjustments for “world events”
    3) Other amendments to raw beta (in particular it would appear certain institution who provide such beta numbers do adjust the basic beta – normally downward).

- ✓ We do not agree with Basis of Conclusion paragraph BC 197. Even though it might be desirable to assume that share options are granted as part of an arm’s length transaction we believe this assumption rarely holds up in reality.

- ✓ By way of an alternative point of view, some of our members expressed their concern as to why the IASB chose the grant date rather than the vesting date to value to options. At present BC 102 states: ‘*The Board concluded that vesting date measurement is inconsistent with the Framework because it requires remeasurement of equity*’. It is understood that equity is the ‘residual interest’ equating to the total of the assets less liabilities. It cannot, therefore, of itself be remeasured. But equity consists of a number of elements and an increase in the value of one element can be made with a decrease in the value of other elements. The ED agrees with this to the extent that it makes the grant of an option an expense that creates a new element of equity and reduces the value of the rest of equity. These members are concerned that the current approach of using the grant date rather than vesting date will lead to ‘counter-intuitive’ results. In particular:

    - The expense booked for the share-based payment will differ from the value reported as the remuneration of directors.

- The cost expensed between the grant date and the vesting date of options given to employees will not be altered by changes in the performance of the company after the grant date. This is different from the treatment of cash paid performance bonuses.

We would request that BC.98 – 104 be expanded to add clarity on the above issue.