

Dr. Alexander Schaub
Director General
European Commission
Directorate General for the Internal Market

1049 Brussels

09 March 2006

Dear Dr. Schaub,

Adoption of IFRIC 8 *Scope of IFRS 2*

Based on the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards we are pleased to provide our opinion on the adoption of IFRIC 8 *Scope of IFRS 2*, which was published by IFRIC on 12th January 2006. It was issued in draft as IFRIC D16 and EFRAG commented on that draft.

EFRAG supports the objective of IFRIC 8. The Interpretation clarifies that IFRS 2 *Share-based Payment* applies to share-based payment transactions in which the entity cannot specifically identify some or all of the goods or services received. As a consequence IFRIC 8 applies to share-based payment transactions (as defined in IFRS 2) when the identifiable consideration received (or to be received) by the entity (if any) appears to be less than the fair value of the equity instruments granted or the liability incurred.

IFRIC 8 does not apply to transactions that are specifically excluded from the scope of IFRS 2 as set out in paragraphs 3 to 6 of the Standard.

IFRIC 8 becomes effective for annual periods beginning on or after 1 May 2006, with early application encouraged.

EFRAG has evaluated IFRIC 8 based on input from standard setters and market participants in accordance with EFRAG's due process.

EFRAG supports IFRIC 8 and has concluded that it meets the requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards that:

- i. it is not contrary to the 'true and fair principle' set out in Article 16(3) of Council Directive 83/349/EEC and Article 2(3) of Council Directive 78/660/EEC; and
- ii. it meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

For the reasons given above, EFRAG believes that it is in the European interest to adopt IFRIC 8 *Scope of IFRS 2* and, accordingly, EFRAG recommends its adoption.

On behalf of the members of EFRAG, I should be happy to discuss our advice with you, other officials of the EU Commission or the Accounting Regulatory Committee as you may wish.

Yours sincerely,

Stig Enevoldsen
EFRAG, Chairman