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London
STOCK EXCHANGE

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Dear Sir,

**INVITATION TO COMMENT
IASB EXPOSURE DRAFT ED 8 OPERATING SEGMENTS**

Thank you for the invitation to comment on Exposure Draft, ED8 Operating Segments.

Background to our interest

The London Stock Exchange is one of the world's leading exchanges. We facilitate the raising of capital and the trading of securities for companies from 59 countries. We are the most international exchange by trading in the world and Europe's largest pool of liquidity. There are some 1,664 Main Market and 1,500 AIM companies quoted on our markets collectively worth over £4.4 trillion and which raised over £20 billion in 2005 alone.

Over the year to February 2006, the London Stock Exchange's markets rank top of all European and US Exchanges in terms of cumulative funds raised at IPO.¹

Initiatives to increase market efficiency need to be balanced

Increasing shareholder engagement, bringing investors and companies seeking risk capital closer together and enhancing the quality of information flow are all concomitant elements that can enhance the efficiency of the public capital markets. Efforts to improve such efficiencies are laudable, but only where the associated initiatives do not increase the implementation burden on companies to a point where the costs outweigh the benefits.

A blanket approach brings the potential for competitive harm

We acknowledge the benefits for quoted companies of providing analysts with an homogenous, multi-jurisdictional platform on which to base more accurate earnings forecasts. However, such a process could also be said to open up

¹ Source: World Federation of Exchange data.

information of a much more strategic (and therefore competitively sensitive) nature to the world at large.

Forcing inappropriate disclosures of information that is competitively sensitive could run counter-productive to the ultimate objective to enhance shareholder value and we note that your papers² attempt to remove the competitive harm risk, notably through a) creating modified aggregation criteria, b) adding quantitative materiality thresholds for identifying reportable segments, c) obviating the need to disclose research and development expense and liabilities by segment and d) changing the second level disclosure requirements about products and services and geography from a segment basis to an enterprise-wide basis.

Despite your attempts to address the potential for competitive harm, we take the opportunity to reinforce the possible risks that a blanket approach to convergence in accounting standards will have a disproportionate affect on sections of the publicly quoted community, noting two examples below.

Protecting the interests of smaller-quoted, technology and healthcare companies

For smaller quoted companies convergence with a global accounting issue of this nature is largely irrelevant with no practical bearing on the size, extent and nature of their business model. Therefore such measures are more likely to represent an additional regulatory burden.

For companies with business models that rely on extensive research and development, whose major asset may be intellectual property and that rely on commercialising such an asset there is a danger that your proposals might damage their competitive position. Such companies would normally be operating within the health care and technology sectors³ and may also be members of our techMARK community⁴.

Q.6 – Consequential amendments to IAS 34 Interim Financial Reporting

We believe that the proposed amendments to IAS 34 will be too costly and time consuming for smaller quoted AIM and Main Market companies in the three month reporting timetable for interim results. In particular, we do not consider there will be any significant benefit from the disclosure of intersegment revenues or the disclosure of total assets for which there has been a material change from the last annual financial statements.

² Basis for conclusions, Para 111

³ ICB supersector classifications '4500 Health Care' and '9500 Technology'

⁴ www.londonstockexchange.com/techmark

Timetable for convergence with US GAAP

Lastly, we would also reinforce the point that the UK does not as yet have convergence with US GAAP, with none planned until 2009. Such measures to adopt SFAS 131 as are being recommended in your paper may therefore be slightly premature given the burden of regulation currently facing these issuers.

I hope that our comments are useful. If you would like to discuss our views on any aspect above in more detail, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink that reads "Raquel Hughes". The signature is written in a cursive, flowing style.

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