



Association pour la participation des
entreprises françaises à l'harmonisation
comptable internationale



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Association Française des Entreprises Privées

IASB
30 Cannon Street
London EC4M 6XH
UK

Paris, December 10, 2008

Re: ED "Improving Disclosures about Financial Instruments"

We welcome the opportunity to comment on the IASB exposure draft presenting "Improving Disclosures about Financial Instruments".

We understand and support the objective of this amendment to enhance disclosures about financial instruments.

However we believe that proposed supplementary disclosures on fair value measurements should be revisited:

- to enhance the relevance of the hierarchy proposed;
- to eliminate those supplementary disclosures which deny the relevance of measurement basis used in accordance with IAS 39 requirements, namely the separate identification of unrealised gains and losses on financial instruments measured at fair value through P/L (§27B b) and c))and the supplementary information on fair value measurements of financial instruments not measured at fair value.

Should you wish any supplementary comment or explanation, please do not hesitate to contact us.

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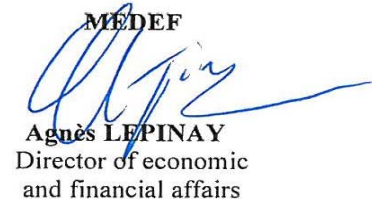
Patrice MARTEAU
Chairman

AFEP



Alexandre TESSIER
Director General

MEDEF



Agnès LEPINAY
Director of economic
and financial affairs

Answers to the specific questions raised in the invitation for comments.

Question 1 —Use of a fair value hierarchy - Do you agree with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy?

We agree with the use of a fair value hierarchy. Many financial institutions have implemented such a hierarchy as voluntary disclosures already.

Question 2 —Proposed three level hierarchy - Do you agree with the three level hierarchy as proposed?

We do not believe that the hierarchy proposed is fully adequate. In assessing valuation uncertainties, users are primarily interested in whether the market is more or less liquid. The distinction between quoted and unquoted instruments should set the basis for subdivisions within level 1.

Question 3— Required disclosures – Do you agree with the proposals in:

(a) Paragraph 27B to require expanded disclosures about the fair value measurements recognised in the statement of financial position? If not why? What would you propose instead, and why?

We disagree with items b) and c) proposed as new disclosure requirements in paragraph 27B.

According to IAS 39, gains and losses arising from changes in value of financial instruments measured at fair value are either presented in P/L (trading, derivatives, fair value option) or in OCI before being recycled through P/L upon disposal (AFS). As a result, the only unrealised gains and losses which are identified and accounted for separately for both internal and external purposes are those which require to be accounted for as OCI before recycling.

We therefore object to the separate identification of the unrealised gains and losses of financial instruments measured at fair value through P/L. We believe that such a requirement denies the relevance of the choice of measurement and presentation.

We understand the relevance of the requirement in b) (iv). We believe this requirement is easily encapsulated in e).

(b) Paragraph 27C to require entities to classify, by level of the fair value hierarchy, the disclosures about the fair value of the financial instruments that are not measured at fair value? If not, why? What would you propose, and why?

Financial instruments which are not measured at fair value are measured at cost or amortised cost as this measurement has a more predictive content than fair value. We therefore oppose to expanded disclosures on the fair value measurements of these instruments as provided as supplementary information in the notes.

Question 4 and question 5 – Maturity analyses –

Do you agree with the proposal to require entities to disclose a maturity analysis for derivative financial liabilities based on how the entity manages the liquidity risk associated with such instruments? (§39(a)) and a maturity analysis for non-derivative financial liabilities based on remaining expected maturities if the entity manages the liquidity risk associated with such instruments on the basis of expected maturities? (§39(b))

We agree with the IASB that amendments to IFRS 7 are needed in this area. We believe that the changes should bring IFRS 7 in line with the general principle of reporting on the liquidity risk through the eyes of management.

The IASB has observed that there was diversity in the way IFRS 7 had been implemented and that maturity analyses presented as disclosures varied greatly. This diversity, from our own observations, stems from the diversity in risk management reporting practices.

We therefore believe that IFRS 7 should require entities to disclose maturity analyses as they are reported internally and specifying the basis on which those analyses are prepared (expected vs contractual maturities for example). Qualitative disclosures would be added, explaining how and why the presentation selected is relevant in the entity's risk management practice.

Question 6— Definition of liquidity risk

Do you agree with the amended definition of liquidity risk in Appendix A? If not, how would you define liquidity risk, and why?

We understand that the objective of the Board was to align IFRS 7 and IAS 39 scopes in discussing liquidity risk. We believe that a statement to that effect would be preferable to the change in definition proposed. Changes in wording tend to generate diverse interpretations. A statement restricting the information required to financial liabilities within the scope of IAS 39 would be clearer, we believe.

Question 7 – Effective date – Do you agree with the effective date proposed?

We agree with the effective date proposed.

Question 8 – Transition requirements – Do you agree with the transition requirements proposed?

We agree with the transition requirements proposed.

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