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

Mouvement des Entreprises de France
MEDEF

AFEP
Association Française des Entreprises Privées

CommentLetters
IASB
30 Cannon Street
London
United Kingdom

Paris, March 25, 2008

RE : <u>Amendments to IFRS 2 and IFRIC 11: Group and Treasury Share Transactions</u>

ACTEO, AFEP & MEDEF welcome the opportunity to comment on the proposed amendments to IFRS 2 and IFRIC 11 dealing with group and treasury share transactions.

As the IASB itself has already acknowledged, IFRS 2 is a very rule-based standard which has already called for numerous interpretations. As a result, we see the proposed amendments of both IFRS 2 and IFRIC 11 as an attempt to solve in one last grasp issues that new types of set-ups within the context of a group raise now and might raise in the future.

We do not believe however that the IASB should pursue down that path for the following reasons :

1- **A comprehensive analysis of intra-group transactions arising from corporate share based payment plans is urgently needed.**

   Share-based payments plans implemented at corporate level are quite usual. As a result intra-group transactions resulting from those plans are frequent and the accounting treatment of those transactions needs to be addressed thoroughly and comprehensively. The extension of IFRS 2 scope to the extent intended by the proposed amendments makes those requirements all the more critical. We wonder, for example, what is the counterpart to an equity contribution made by a sister company to the entity in the sister company's financial statements. We therefore wish that the IASB expand its rationale beyond ensuring that an expense is recognised by the entity whenever its employees have received some form of share based payment. At present the IASB and IFRIC seem to rely on equity being a residual to reach the desired accounting outcome, without analysing what equity contributions to the entity represent for the entity supposedly providing them.

Furthermore the existing IFRS 2 lacks guidance on how changes in value of liabilities arising from cash-settled arrangements should be analysed and hence classified. Such a lack of guidance tends to create more questions and uncertainties in the subsequent accounting of those group arrangements scoped into the revised IFRS 2 and IFRIC 11. We believe the Board or the IFRIC should deal with those issues urgently;

2- A principle-based approach to the definition of IFRS 2 scope is needed.

Stretching IFRS 2 scope as far as is suggested in the proposed amendments without adjusting the definition of equity- and cash-settled share based plans leave preparers and auditors without any robust basis to assess future forms of share based payment plans. Such a situation calls for more interpretations in the future and create uncertainty and lack of understanding of the accounting requirements. It also prevents the use of judgement. We therefore encourage the IASB to enlarge the scope of IFRS 2 by revising the definitions of equity - and cash-settled share based plans to ensure consistent accounting in all circumstances.

Should you wish any further comment, we remain at your disposal.

Yours sincerely,

ACTEO	AFEP	MEDEF
Patrice MARTEAU Chairman	**Alexandre TESSIER** Director General	**Agnès LEPINAY** Director of economic and financial affairs