

La Directrice générale

Paris, April 20th, 2009

FBF Response to the Request for views on Proposed FASB amendments on Fair Value Measurement and to Impairment Requirements for Certain Investments in Debt and Equity Securities.

Dear Sir David,

The French Banking Federation (FBF) welcomes the opportunity to comment on the above mentioned proposed FASB amendments.

Both propositions are the response of the FASB to a recommendation of the US Securities and Exchange Commission (SEC) to provide additional guidance for estimating fair value when a market is illiquid and to modify recognition of impairment of financial instruments. The IASB is seeking views of interested parties on the two FASB sets of proposals which have since been adopted with some amendments by the FASB. Therefore, in our response to the IASB, we would take into consideration those final positions.

Proposed FASB Staff Position 157-e.

In fact, the question raised is how to determine the value of a financial instrument when no transactions or a few are observed on the market and as distressed transactions could not be considered as a reference of a transaction price.

Despite guidance given in October 2008 by the FASB 157-3 and the IASB's Expert Advisory Panel, preparers who were put under pressure used last observed prices on illiquid markets to evaluate financial instruments without using significant judgement

The aim of the first draft of the FASB staff position was to provide further guidance. It contained a presumption that if markets have been determined as inactive, "quoted price is associated with a distressed transaction" unless the entity proves that the price observed has the characteristics of a quoted price. The final position of the FASB has abandoned the presumption and has stated that even if the market is non active, "it is not appropriate to conclude that all transactions are not orderly".

**Sir David TWEEDIE
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We support the FASB two steps model and the pragmatic factors listed in order to determine whether there has been significant decrease in the volume and activity in the market and whether a transaction is not distressed. We support also the emphasis put by the FASB on the importance of using judgment or assessing circumstances to determine whether the price observed in the inactive market is or is not orderly. We are not in favour of limiting the scope of the guidance to financial assets. We would have preferred to widen this scope to both financial assets and financial liabilities.

Nevertheless, we are interested in the presumption approach as it is impossible to prove that a transaction is not orderly when a market is inactive compared to other transactions between willing buyers and sellers. Given the characteristics of an inactive market, orderly transactions cannot be observed. Thus it is likely to qualify the rare transactions occurred in such market as distressed. Additionally, the presumption had the merit to propose an adequate answer to one of the concerns of the FASB. It puts emphasis on the importance taken by the judgment of the entity when evaluating the price of a transaction in a market that is no longer active. In our view, the final staff position does not enhance significantly the current requirements of FAS 157. It has merely listed indicators determining the characteristics of an illiquid market and a distressed transaction.

We believe that the final position of the FASB is globally compliant with guidance on fair value measurement in inactive markets published by the IASB's Expert Advisory Panel in October 2008.

However we have sympathy for 157-e in order to estimate the financial instruments quoted on non active markets. We would encourage the IASB to examine the first guidance of the FASB in relation with the comprehensive project of reviewing of IAS 39 as it is an interesting enhancement of the evaluation of financial instruments such as financial trading instruments not traded on active markets.

Proposed FASB Staff Position FAS 115-a, FAS 124-a and EITF 99-20-b.

To our opinion, the proposed FASB position related to impairment is consistent with a credit-analysis approach. Concerning debt securities, the losses of value resulting from the absence of liquidity of markets should be differentiated from the major degradation of the credit component of the financial instrument because the consequences of the credit risk are not linked to the intention to sell or not the instrument. An incurred loss could happen both on fair value measured and on amortised cost instrument but a decrease of price will become a real loss only if the instrument is sold. In the case of another-than-temporary depreciation, the predictable losses in accordance with the only risk of credit are recorded in profit and loss, while the remainder of fair value change is recorded in stockholders' equities.

We believe that the fair value decrease should be segregated for debt instruments as well as for equity securities. This would be more in line with the way the instruments are managed. The valuation of impairment should not be different according to the class of instrument.

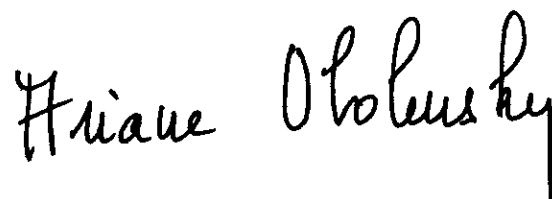
Moreover, we would welcome the IASB to reconsider the issue mentioned in the European Commission's letter sent to the IASB at the end of October 2008 related to impairment of available for sale financial assets. One of the solutions discussed and proposed during the three round tables held at the end of 2008 was disaggregation of the impairment loss recognized for available for sale instruments.

We are of the opinion that bringing IFRSs into line with US GAAP limited to the items of the FASB position would not represent a so difficult task. It would not preclude reviewing impairment methodology within a broader framework.

To conclude, first of all, we would encourage the IASB to pursue the joint approach with the FASB in order to enhance International Financial Reporting Standards and to maintain a broad convergence between IFRSs and US GAAP. Moreover, we welcome the initiative of a comprehensive project in order to review the existing financial instruments standards. Within this framework, the IASB should take into consideration the fact that accounting for financial instruments models should reflect various business models as stated in our response to the Reducing Complexity Discussion Paper. The IASB should also take the opportunity of this project to go through the specific issues (fair value option and synthetic CDOs) raised by the European Commission in October 2008.

We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

A handwritten signature in black ink, reading "Ariane Obolesky". The signature is written in a cursive, flowing style.

Ariane OBOLENSKY