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CAISSE NATIONALE

International Accounting Standards Board

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United Kingdom

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15 January 2009

Response to Exposure Draft of Investments in Debt Instruments : Proposed Amendments to IFRS 7 Financial Instruments : Disclosures

Dear Sir or Madam,

I am writing on behalf of the Groupe Caisse d'Epargne ("GCE") to express our views on the above-mentioned Exposure Draft. Our answers to the issues are set out in the Appendix to this letter.

We do not support the proposed amendment.

The proposals in this Exposure Draft do not give a correct answer to providing more information regarding impairment losses on investments in debt instruments. Moreover, we consider that this Exposure Draft with the disclosure on profit or loss amount that would have resulted under the 'fair value scenario' for investments in debt instruments is a further step towards full fair value accounting, in particular for the banking book. As already mentioned in our previous comment letters, we strongly disagree with this approach to accounting for all financial instruments.

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

If you wish to discuss our comments further, you may contact Nicolas Patrigot (+ 33 1 58 40 75 93).

Yours faithfully,

Eric Filliat

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Appendix

Question 1

The exposure draft proposes in paragraph 30A(a) to require entities to disclose the pre tax profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been (i) classified as at fair value through profit or loss and (ii) accounted for at amortised cost.

Do you agree with that proposal? If not, why?

The GCE disagrees with the proposal for the following reasons.

1/ It introduces a principle of full fair value measurement

The proposals in this Exposure Draft do not provide a satisfactory answer to the request for additional information about impaired debt instruments classified as available for sale. The disclosure of profit or loss impacts that would have resulted under the "fair value scenario" for investments in debt instruments is a further step towards full fair value accounting, in particular for the banking book. As already mentioned in our previous comment letters, we strongly disagree with fair value accounting being generalised to all financial instruments. It should be limited to the trading book.

There is a substantial difference between disclosing fair value and disclosing the profit and loss impact of full fair value measurement. If disclosures of fair values of financial instruments accounted at amortised cost may in some circumstances be useful for users, providing details about how these fair values developed is hardly of any relevance.

2/ Disclosing the profit or loss that would have resulted under the two scenarios does not take into consideration business models. This would result in a distorted view of the entity's financial position. Measurement models should be based on the business intent of the entity. Fair value through profit and loss is no relevant measurement attribute for investments in debt instruments managed under a "buy and hold" strategy.

3/ Information provided is fragmentary as it does not comprise the impact of the related fundings, hedges and financial guarantees

This issue may be illustrated if we consider assets and liabilities that are naturally hedging each other. The presentation, in isolation, of the fair values of investments in debt instruments has limited relevant since the single effect on profit or loss indicated in the notes will not actually impact the entity. This gives a distorted view of the entity's financial position, which can lead to confusion and misinterpretations by users.

Furthermore, for transactions managed under a "buy and hold" strategy, the information under the fair value scenario would give a wrong perception of risk even if the related fundings, hedges and financial guarantees were considered. Under IAS 39, fair values reflect short term risk premiums. This results in theoretical and artificial values for "buy and hold" positions, funded and managed on a long term basis, that are very often illiquid instruments that may not be sold in the short term.

4/ There might be confusion in some instances as to which instruments are in the scope of this amendment and which are not; the distinction between debt instruments assets and equity instruments assets is not clearly addressed under IAS 39, which will result in a great diversity of practices; the disclosures required by the ED would not only lack relevance, they would also lack comparability.

What would you propose instead, and why?

In order to provide users with information regarding incurred losses on impaired available-for-sale investments in debt instruments, it would be useful to disaggregate the losses recognised for those instruments between:

(i) the incurred loss portion—determined based on the impairment model used for debt instruments measured at amortised cost; and

(ii) the remainder of the fair value change.

This information improves transparency of the fair value of debt instruments classified as available for sale and permits comparison with the incurred losses recognised for debt instruments accounted for at amortised cost.

Given the timing, this information could be disclosed for annual periods beginning on or after 1 January 2009.

Question 2

The exposure draft proposes to require disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions. Should reconciliations be required between profit or loss and the profit or loss that would have resulted under the two scenarios? If so, why and what level of detail should be required for such reconciliations?

The GCE disagrees with the proposal. We are not in favour of disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions (please refer to our answer to question 1).

Question 3

The exposure draft proposes in paragraph 30A(b) to require entities to disclose for all investments in debt instruments (other than those classified as at fair value through profit or loss) a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost.

Do you agree with that proposal? If not, why? What would you propose instead, and why?

The GCE disagrees with the proposal.

The GCE believes that several disclosure requirements in paragraph 30A (b) would be redundant as fair values for loans and receivables and held to maturity investments are already provided in the notes and compared with the carrying amounts.

It is also crucial to keep IFRS standards principal based and to ensure that they do not include the type of tabular formats proposed in the present exposure draft.

What would you propose instead, and why?

Please refer to our answer to question 3.

Question 4

The exposure draft proposes a scope that excludes investments in debt instruments classified as at fair value through profit or loss.

Do you agree with that proposal? If not, would you propose including investments in debt instruments designated as at fair value through profit or loss or those classified as held for trading or both, and if so, why?

We agree with the scope exclusions for debt instruments classified as at fair value through profit or loss, should the proposed amendments be confirmed.

Question 5

Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

The GCE disagrees with the proposed effective date.

We do not support rushing the proposed amendments through and applying an effective date of annual periods ending on or after 15 December 2008.

The majority of entities are unlikely to have the required information readily available.

Additionally, bearing in mind that IFRS is applied mainly by listed groups, we believe this effective date is likely to pose significant practical difficulties for preparers with 31-December year-ends. Significant information will need to be collected to meet the disclosure proposals.

Question 6

Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

The GCE agrees with the transitional requirements which exempt preparers from producing comparative information.