Ms Sandra Thompson
Senior Project Manager
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

CL 52

JK/SJ/

RE : ED7: Financial Instruments: Disclosures

Paris, October 22, 2004

Dear Ms Thompson,

ACTEO & MEDEF welcome the opportunity to comment the IASB exposure draft ED7: Financial instruments: Disclosures.

ACTEO & MEDEF broadly support the exposure draft. In our view, it forms a sound basis for a relevant reporting by entities on financial instruments.

Our detailed analysis is included in the appendix to this letter.

We remain at your disposal should you need further clarification or background information.

Yours sincerely,

Siège social : 55 avenue Bosquet – 75330 Paris Cedex 07
Téléphone : 01.53.59.17.40 - Télécopie : 01.53.59.16.99

Appendix

Question 1: Disclosures relating to the significance of financial instruments on financial position and performance

ED7 proposes to incorporate in the IFRS disclosures relating to financial instruments contained in IAS 32 so that all financial instruments disclosures are located in one Standard. It also proposes to add the following disclosure requirements:

- financial assets and financial liabilities by classification (§10 and BC13)
- information about any allowance account (§17 and BC13)
- income statement amounts by classification (§21(a), BC15 and 16)
- fee income and expense (§21(d) and BC17)

Are these proposals appropriate? If not, why not? What other disclosures would you propose?

We agree with these proposals.

Question 2: Disclosure of the fair value of collateral and other credit enhancements

For an entity's exposure to credit risk, Exposure Draft proposes to require disclosure of the fair value of collateral pledged as security and other credit enhancements unless impracticable (§39-40, BC 27 and 28).

Is this proposal appropriate? If not, why not? What, if any, alternative disclosures would you propose to meet the stated objective?

We agree with this proposal.

Question 3: Disclosure of a sensitivity analysis

For an entity that has an exposure to market risk arising from financial instruments, Exposure Draft proposes to require disclosure of a sensitivity analysis (see §43, 44 and BC 36 to 39).

Is the proposed disclosure of a sensitivity analysis practicable for all entities? If not, why not and what, if any, alternative disclosures of market risk would you propose to meet the stated objective of helping users evaluate the nature and extent of market risk?

We do not support this requirement. Sensitivity analyses carried out on the basis of assumptions made on an individual basis may lead to misleading representations of the future, because of the interdependency of economic changes. Furthermore, multiple criteria analyses may be not practicable.

We therefore recommend that this requirement be altered and that entities be invited to disclose the analyses that they carry out internally, if any, in relation to their management of market risk. This invitation would be fully consistent with the principle set up in paragraph 32 of the Exposure Draft and with IG 35.

Question 4: Capital disclosures

The Exposure Draft proposes disclosure of information that helps users of an entity's financial statements to evaluate the nature and extent of its capital. This includes a proposed requirement to disclose qualitative information about the entity's objectives, policies and processes for managing capital; quantitative data about the instruments the entity regards as capital; whether during the period it complied with any capital targets set by management and any externally imposed capital requirements; and if it has not complied, the consequences of such non-compliance (see §46,47 and BC 46 to 55).

We believe that the requirements related to capital objectives and requirements set up internally should be withdrawn for the reasons explained in BC 53.

Question 5: Effective date and transition

The proposed effective date is for periods beginning on or after 1 January 2007 with earlier adoption encouraged (see § 49 and BC 62 to 67). Entities adopting IFRSs and the draft IFRS for the first time before 1 January 2006 would be exempt from providing comparative disclosures for the draft IFRS in the first year of adoption (see Appendix B, paragraph B9). Are the proposed effective date and transition requirements appropriate? If not, why not? What alternative would you propose?

We agree with the effective date and transition as proposed.

Question 6: Location of disclosures of risks arising from financial instruments

The disclosure of risks arising from financial instruments proposed by the draft IFRS would be part of the financial statements prepared in accordance with International Financial Reporting Standards (see § BC41). Some believe that disclosures about risks should not be part of financial statements prepared in accordance with IFRSs; rather they should be part of the information provided by management outside the financial statements. Do you agre that the disclosures proposed by the draft IFRS should be part of the financial statements? If not, why not?

We agree, since IFRS only deal with disclosures included in the notes.

Question 7: Consequential amendments to IFRS 4 (§ B10 of Appendix B)

Paragraph B10 of Appendix B proposes amendments to the risk disclosures in IFRS 4 Insurance Constrats to make them consistent with the requirements proposed in the draft IFRS. The requirements in IFRS 4 were based on disclosure requirements in IAS 32 that would be amended by the draft IFRS. The Board's reasons for proposing these amendments are set out in § BC57 to 61. Do you agree that the risk disclosures in IFRS 4 should be amended to make them consistent with the requirements proposed in the draft IFRS? If not, why not and what amendments would you make pending the outcome of phase II of the Board's Insurance project?

IFRS 4 has been set up as a transition standard awaiting the issuance of a comprehensive standard dealing with insurance contracts that would ensure that insurance companies need not undergo several changes in their reporting requirements and systems.
We therefore believe that no change should be introduced, beyond IFRS 4, until the outcome of Insurance Contracts phase II.

Question 8: Implementation Guidance

The draft Implementation Guidance accompanying the draft IFRS suggests possible ways to apply the risk disclosure requirement in § 32 to 45 (see § BC 19, 20 and 42 to 44). Is the implementation Guidance sufficient? If not, what additional guidance would you propose?

We believe that the implementation guidance is sufficient and adequate.

Question 9: Differences from the exposure Draft of Proposed Statement of Financial Accounting Standards Fair Value Measurements issued by the FASB.

Do you agree that the proposed requirements in this Exposure Draft provide adequate disclosure of fair value compared to those proposed in the FASB's Exposure Draft? If not, why not, and what changes to the draft IFRS would you propose?

We agree.

Question 10: Other Comments

Do you have any other comments on the draft IFRS, Implementation Guidance and Illustrative Examples?

No, we do not.