

Mr Robert Garnett
Chairman
International Financial Reporting Interpretations
Committee
30 Cannon Street
London
EC4M 6XH

Paris, June 19, 2009

Tentative Agenda Decision: IAS 39 *Financial Instruments: Recognition and Measurement*—Meaning of ‘significant or prolonged’

Dear Mr Garnett,

Mazars is pleased to respond to the IFRIC’s publication in the May 2009 IFRIC Update of the tentative decision not to put on the IFRIC’s agenda a request for an Interpretation of IAS 39 *Financial Instruments: Recognition and Measurement* as regards the meaning of ‘significant or prolonged’ in the context of recognising impairment on equity securities classified as available-for-sale.

We agree with the IFRIC’s decision not to take this item onto its agenda since the Board is currently conducting a comprehensive review of IAS 39. However, we have several comments in relation to the tentative agenda decision itself:

- This tentative agenda decision states (please refer to the second bullet point): “Consequently, the IFRIC concluded that a significant or prolonged decline cannot be considered only an indicator of possible impairment in determining whether there is objective evidence. When such a decline exists, recognition of an impairment loss is required.” We agree with this statement if it is to be read along with paragraph 58 and the following paragraphs of IAS 39 which assert that an entity should use its judgement to assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. In our opinion, judgement is to be applied for each investment separately while assessing whether a significant or prolonged decline occurred. Actually, some investments may for instance be more subject to volatility than others. Thus it seems appropriate to assess the ‘significant or prolonged’ decline differently, depending on the specific characteristics of each investment. As far as we understand it, the IFRIC acknowledges in the same tentative agenda decision (please refer to the last bullet point) that the determination of what constitutes a significant or

prolonged decline is a matter of fact that requires the application of judgement. We therefore suggests that the tentative agenda decision be modified so as to indicate as soon as bullet point 2 that judgement needs to be applied while determining what constitutes a significant or prolonged decline depending on the characteristics of each investment.

- We are of the opinion that 'significant or prolonged' should not be assessed in the functional currency of the entity holding the instrument. First, currencies are even more volatile than stock markets. Besides, the basics of an entity are not necessarily affected by changes in foreign currency rates. Accordingly, we believe that 'significant or prolonged' should be assessed in the foreign currency in which a financial instrument is denominated, unless the economic situation of the foreign country shows that the loss in value of the local currency is non-reversible. Should the IFRIC nonetheless decide to maintain its initial position as regards this issue, we would like the IFRIC to precise whether the functional currency to refer to is the functional currency of the individual entity holding the equity instrument, or the functional currency of the reporting entity presenting its consolidated financial statements.

We would be pleased to discuss our comments with you and are at your disposal should you require further clarification or additional information.

Yours/sincerely


Michel Barbet-Massin

Head of Financial Reporting Technical Support