

International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

Paris, March 3, 2009

**RE: Exposure Draft ED/2009/1 – Post-implementation Revisions to IFRIC Interpretations: Proposed amendments to IFRIC 9 and IFRIC 16**

Dear Madam/Sir

We are pleased to comment on the above mentioned Exposure Draft presenting post-implementation revisions to IFRIC 9, *Reassessment of Embedded Derivatives* and IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*.

As regards the proposed amendment to IFRIC 9, we understand that the Board did not address the issue of business combinations under common control while developing IFRS 3 revised. As a consequence, it was not the intention of the Board that any existing interpretation should address this issue or at least part of it. Thus we agree with the proposed amendment that clarifies IFRIC 9 in that respect.

As regards the proposed amendment to IFRIC 16, the Board proposes to remove the restriction on the entity that can hold hedging instruments. Thus, a derivative or a non-derivative instrument, designated as a hedging instrument, could be held by any entity or entities within the group, including the foreign operation that itself is being hedged, as long as requirements of IAS 39 regarding hedge accounting are satisfied. We agree with this proposal.

Finally, we understand the need to backdate the effective date of the proposed amendment to IFRIC 16. However, we would like the IASB to be more explicit regarding the special and limited exception to hedge accounting requirements this backdating implies, since IAS 39 prohibits from designating hedge relationships retrospectively.

Our detailed comments on the proposed amendments to IFRIC 9 and IFRIC 16 are presented in the attached appendix to this comment letter.

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

A handwritten signature in black ink, appearing to read 'Michel Barbet-Massin', with a stylized flourish at the end.

**Michel Barbet-Massin**

*Head of Financial Reporting Technical Support*

## **Appendix to our letter on ED/2009/1**

### **1- Proposed amendment to IFRIC 9 *Reassessment of Embedded Derivatives***

#### *Question 1 – Amendment arising from IFRS 3 (as revised in 2008)*

*The Board proposes to amend paragraph 5 of IFRIC 9 to exclude from its scope embedded derivatives in contracts acquired in combinations of entities or businesses entities under common control and in the formation of joint ventures.*

*Do you agree with the proposal? If not, why?*

We agree.

#### *Question 2 – Effective date*

*The proposed amendment to IFRIC 9 would be effective for annual periods beginning on or after 1 July 2009 with prospective application, and would require an entity that applies IFRS 3 (revised 2008) for an earlier period to disclose that fact and apply the amendment to IFRIC 9.*

*Do you agree that this amendment should apply for annual periods beginning on or after 1 July 2009 with prospective application? If not, why?*

We agree.

## **2- Proposed amendment to IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

### *Question 1 – Removal of the restriction on the entity that can hold hedging instruments*

*The Board proposes to amend paragraph 14 of IFRIC 16 to remove the restriction on the entity that can hold hedging instruments.*

*Do you agree with the proposal? If not, why?*

If it is verified that the removal of the restriction does not interfere with the general requirements of IAS 21 for the definition of a net investment, and IAS 39 regarding net investment hedges, we agree with the proposal.

### *Question 2 – Effective date*

*IFRIC 16 is effective for annual periods beginning on or after 1 October 2008 with prospective application. The Board concluded that this amendment should apply in the same way.*

*Do you agree that this amendment should apply for annual periods beginning on or after 1 October 2008 with prospective application? If not, why?*

IFRIC 16 was issued in July 2008 with an effective date of application on or after 1 October 2008. Earlier application was permitted. If the proposed amendment is endorsed by the Board, the revised interpretation will probably be issued in the course of 2009, i.e. while most groups are applying for the first time the requirements of IFRIC 16. Thus, it seems reasonable to backdate the effective date of application of the amendment to 1 October 2008, so that the “correct” version of IFRIC 16 is applied right away.

Having said that, this would lead to a practical issue since IAS 39 prohibits from designating hedge relationships retrospectively. In case the Board wants to make a special and limited exception to this requirement, we would recommend that the Board be more explicit on this subject. In particular, the revised interpretation should indicate that hedge accounting can be applied from 1 October 2008, even if from that date the entity had not completed the necessary documentation of the hedge relationship. This would only apply to hedging situations where the hedging instrument is held by the foreign operation itself.