AFEP

Sir David Tweedie
Chairman of the Board
International Accounting Standard Board
30, Cannon Street
London, EC4M 6XH,
United Kingdom

Paris, October 22nd, 2004

Dear Sir,

We appreciate the opportunity to offer our views on the Exposure Draft 'ED 7 Financial Instruments : Disclosures' aimed at revising IAS 32 Financial instruments.

The different information required includes a sensitivity analysis for each market risk (§§ 43 and 44), supplementary notes on these risks (§ 45 Other market risk disclosures) and information on 'processes for managing the risk' (§ 34 (b)).

We recognise that this information may be of interest to some users of financial statements. However, in order to ensure the relevance and understandability of financial information, we consider it essential to avoid duplications between financial statements and documents whose content is defined by texts other than the IAS/IFRS (prospectus, annual report, specific report).

As disclosure of information on sensitivity and methods was already largely provided for in such texts, their inclusion in the notes should only be envisaged by IASB in the absence of publication in a document stipulated by these texts.

Moreover, as they are analyses of sensitivity and equivalent information, we believe it is appropriate to handle their communication with all precautions needed to avoid misleading the public.

Such information frequently includes a large degree of impreciseness, in view notably of the different variables and hypotheses at stake, and the occasionally uncertain interaction between these variables/hypotheses (e.g. effect of an exchange rate variation on demand). As it often is different in nature, it is difficult to consider that this information necessarily has an identical value to that of information listed in the notes on items existing at the closing date (notably balance sheet and results items).

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As the nature and value of information on sensitivity is often not very compatible with the degree of reliability expected from information in the notes, its presentation at the same level could contradict the principle of correct market information in some cases.

As a result, this information should probably be presented outside financial statements or, only when the issuer so chooses, in a separate section of the notes.

We would be pleased to discuss these proposals further and thank you for your consideration of our views.

Yours sincerely,

Alexandre TESSIER

Director General

RESPONSE TO ED 7
FINANCIAL INSTRUMENTS: DISCLOSURES
DETAILED COMMENTS ON QUESTION 6

Question 6 –Location of disclosure of risk arising from financial instruments

The disclosure of risk 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 IFRS; rather they should be part of the information provided by management outside the financial statements.

Do you agree that the disclosures proposed by the draft IFRS should be part of the financial statements? If not, why not?

IASB presents the various viewpoints according to which information on risks inherent in financial instruments should be disclosed in financial statements or not.

The different information required includes a sensitivity analysis for each market risk (§§ 43 and 44), supplementary notes on these risks (§ 45 Other market risk disclosures) and information on 'processes for managing the risk' (§ 34 (b)).

As information on sensitivity and methods is largely provided for by the applicable texts, the inclusion of information on risks in financial statements should only be envisaged by IASB in the absence of publication in a document stipulated by these texts (prospectus, annual report, specific report).

Moreover, as they are analyses of sensitivity and equivalent information, we believe it is appropriate to handle their communication with all precautions needed to avoid misleading the public. As the nature and value of such information is often not very compatible with the degree of reliability expected from information included in notes, its presentation at the same level could contradict the principle of correct market information in some cases. As a result, this information should probably be presented outside financial statements or, only when the issuer so chooses, in a separate section of the notes.

Avoid the duplication of information

In order to ensure the relevance and understandability of financial information, we consider it essential to avoid the duplication of information and documents whose content is defined by texts other than IAS/IFRS (prospectus, management report, specific report).

Disclosure of information on risks, notably in the prospectus or management report, is already stipulated by various texts. In Europe, these notably include European directives or regulations on the prospectus and reports (annual report, consolidated management report). Moreover, various national texts also stipulate detailed information on risks, and more particularly market risks (rates, exchange, shares, credit).
The same applies to information on procedures to identify and monitor risks.

- At European level

. Directive 2003/71/EC on the Prospectus to be published when securities are offered to the public or admitted to trading stipulates that it is necessary to provide guarantees to investors to enable them to assess these risks on a well informed basis. EC Regulation 809/2004 on information contained in the prospectus states that risk factors must be highlighted in the prospectus.

. For its part, Directive 2003/51/EC amending the information to be provided in the management report stipulates that ‘

" The [consolidated] annual report shall include .... a description of the principal risks and uncertainties that [the company or the undertakings included in the consolidation taken as a whole] faces (face). The review shall be a balanced and comprehensive analysis of the (...) position of [the company or the undertakings included in the consolidation taken as a whole]...." (Articles 1.14 and 2.10).

The publication in the annual report of information on processes to identify and monitor risks is also provided for at European level.

- At national level

Apart from information arising from European directives and regulations, certain national texts require additional information on the issuer's risks, notably on market risks (rates, exchange, shares, credit). As an example, this is the case in France, with Regulation 98-01 and its application instruction defined by the stock market regulator.
Disclosure of information on procedures to identify and monitor risks also fits into the framework defined by the law on information on internal control procedures.

Take account of the specific features of sensitivity analyses

As regards analyses of sensitivity and of equivalent information, we believe it is appropriate to surround their communication with all the precautions needed to avoid leading the public astray.

Such information frequently includes a large degree of impreciseness, in view notably of the different variables and hypotheses at stake, and the occasionally uncertain interaction between these variables/hypotheses (e.g. effect of an exchange rate variation on demand). As it often is different in nature, it is difficult to consider that this information necessarily has an identical value to that of information listed in the notes on items existing at closure (notably balance sheet and results items).

As the nature and value of information on sensitivity is often not very compatible with the degree of reliability expected from information in the notes, its presentation at the same level could contradict the principle of correct market information in some cases.
As a result, this information should probably be presented outside financial statements or, only when the issuer so chooses, in a separate section of the notes.

The issuer would then have the choice of the most appropriate medium for providing the market with information on sensitivity and not have to present information whose nature and value is not very comparable at the same level.