

**EFRAG**  
Attn. Mr E. Gagneux  
35, Square de Meeûs  
1000 BRUXELLES

Brussels, June 22, 2009

Dear Sir,

The International Accounting Standards Board is organising a consultation round in regard to a revised derecognition model for financial instruments. The IASB published recently an Exposure Draft that redefines the conditions under which a removal of previously recognised financial assets or financial liabilities will take place.

In this Exposure Draft, the IASB proposes a 'pure control approach', which means that a financial asset is to be derecognised only when an entity *no longer controls* the underlying economic benefits (i.e. the related cash flows). The current principle of *retaining* 'the risk and rewards' would be set aside.

Under both a security repurchase and lending agreement, there is derecognition of a readily-available financial asset if the transferee is contractually permitted to re-use the asset. In such a case, the ED's consequence is that the underlying asset is derecognised, even though risks and rewards still remain, and at the same time a derivative is recognised by the transferor.

If such a right of re-use is not included in the contract, the financial asset remains on the balance sheet of the transferor while the repurchase agreement is only disclosed.

We are much concerned about the negative impact of the proposals:

- derecognition of financial assets used as collateral in a repurchase agreement will create inappropriate recycling of unrealised gains or losses in P&L and is contrary to the substance of the transaction, i.e. a secured borrowing;
- as the repurchase of the underlying financial asset is considered a derivative contract, it is reported as being held for trading, even in the absence of any trading intention;
- as legal form rather than economic substance is determining the accounting treatment;
- under US Gaap (FAS 166) repurchase agreements could still be treated as secured borrowings.

The implementation of the IASB proposals would have, without any doubt, a severe negative impact on the Banks critical funding capacity. We therefore strongly oppose the presented changes and advocate the retention of the current accounting treatment.

We hope that you find our comments helpful. If you wish to discuss them further, please do not hesitate to contact us.

Yours sincerely,



Philippe Rucheton  
Chief Financial Officer, Dexia S.A.



Pierre Mariani  
Chief Executive Officer, Dexia S.A.