



FEDERATION
BANCAIRE
FRANCAISE

*Banking supervision
And Accounting issues Unit
The Director*

Paris, November 18th 2011

FBF Response – Agenda Consultation 2011.

Dear Sir,

The French Banking Federation is pleased to have the opportunity to comment on the request for views on the "Agenda Consultation 2011".

We welcome the decision of the IASB to launch its first formal agenda consultation that would allow constituents to debate on the priorities and strategies of the IASB. Whilst the orientations of the agenda consultation seem rather appropriate, we would like to put the emphasis on the following points when selecting projects for the agenda:

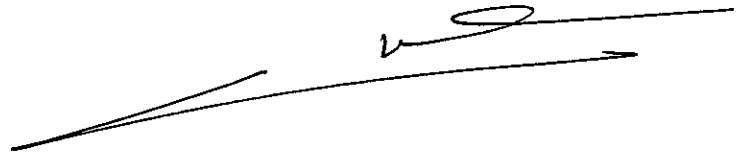
- First of all, the evidence of the inclusion of a project on the agenda should clearly demonstrate how priorities are set and how improvement is expected to be made to the financial reporting and whether improvement is needed. The scope of changes proposed in the new projects must be precisely defined and established on clear concept and easy for anyone to understand.
- The number of projects should be limited and a regime for changing standards at realistic periodic intervals should be also considered. Indeed, development of new standards should not be subject to continuous time pressure as it was observed over the past years where new large standards have been published or existing standards have been amended deeply. Therefore, a period of calm is needed in order for preparers to have an adequate time for implementation of standards. Correlatively a stable platform of accounting standards should be retained.

**Mr Hans HOOGERVORST
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- Focus should be put on the Conceptual Framework as it is a prerequisite for setting standards that are principle-based. It should be considered as the most pressing financial reporting needs for standard-setting action. Accordingly no new standard should be published that raises conceptual issues unless these conceptual issues are debated at the beginning of the consultation process before discussions on possible accounting treatments.
- Concerning XBRL, it is a language supporting electronic communication of financial reporting. We believe it should not be part of the standard-setting process. Its inclusion might be detrimental to having principle-based standards.

Our responses to the Consultation Paper questions are provided in the Appendix to this letter. We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

A handwritten signature in black ink, consisting of a series of fluid, connected strokes that form a stylized name.

Jean-Paul Caudal

Appendix

Question 1: What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years?

Question 1(a): Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

Question 1(b): How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please include these in your answer.

We agree that the two categories and the five strategic areas are rather appropriate to be a basis for defining IASB's strategic priorities. However, we would not make such distinctions between categories and areas as we believe that they are all closely inter-linked.

As the overall objective of standards setting is to build a widely accepted, understandable and consistent set of financial reporting standards for the public interest, we would suggest the following approach when defining the allocation of resources and projects :

Demonstrating the evidence of the inclusion of a project on the agenda.

– First of all, existing IFRS practice should be assessed against the needs for improving financial reportings. The relevance of the work program and the envisaged improvements should be demonstrated before starting development of the projects. The demonstration should be based on the identification of the issue to solve or the unsatisfied need expressed and the intended outcomes of the new proposals within the framework of public interest. It should include an effect analysis through the identification of the possible impacts of the changes on the accounts or business models compared to the previous situation. Then, the scope of changes proposed in the new projects must be precisely defined and established on clear concept and easy for anyone to understand. The IASB should explain more comprehensively the aim of the project and considerations retained in developing the proposals.

Limited number of projects.

Stakeholders should not be faced with frequent and huge changes to standards. Therefore, a regime for changing standards at realistic periodic intervals should be considered. An adequate comment period should be allowed to stakeholders to follow their own due process and devote sufficient resources for assessment of the potential impacts of the projects. The number of projects should thus be limited.

Period of calm.

Over the past years, new large standards have been published or existing standards have been amended deeply. This has implied a huge work of implementation and development of new accounting requirements. Development of new standards should not be subject to continuous time pressure.

A period of calm is needed in order for preparers to have an adequate time for implementation of standards and ensure a consistent application among all the jurisdictions and for stakeholders to fully understand the new IFRS standards. Correlatively a stable platform of accounting standards should be retained given the scope of the future new standards planned, the efforts involved when implementing these new standards and the changes in external communication.

The period of calm should be devoted to the problems of the conceptual framework, to the reviews of the application of the standards after their implementation, to the accounting research, and finally to the projects for which it was demonstrated that there is an urgent need of improvement.

Post-implementation review.

The new applied standards should be subjected to a post-implementation review two years after their effective date. This review should check that any unexpected issues or significant interpretation issues have been identified before they could persist for a long period of time.

XBRL

As far as integration of XBRL with the IFRS standards is concerned, we believe that IFRS XBRL taxonomy should not be part of the standard-setting process. XBRL is a language supporting electronic communication of financial reporting. Moreover, integration of XBRL into the standard-setting process might be detrimental to having principle-based standards. The extension of the IFRS XBRL taxonomy should not compromise the objective of financial reporting.

Accounting research.

Concerning accounting research, we are of the view that existing tools and resources already available should be used and developed. As such, identification of accounting research issues should be closely coordinated with the maintenance of a network of national and other accounting bodies. Input would be provided to the IASB's priorities through proactive discussions and outreach activities.

Besides, as far as fundamental research is concerned, we believe it requires the intervention of a wide range of experienced people. It is for the field of organizations such as universities due to the means needed which exceed those of the IASB and due to the necessary diversity of profiles. Therefore, the IASB could develop relationships with existing organizations that have historically carried out such research.

Question 2: What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

Question 2(a) : Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

We see the development of a conceptual framework as the most pressing financial reporting needs for standard-setting action in order notably to incorporate every new concept developed so far.

Indeed, the conceptual framework plays an important and significant role within the standard setting process as it is a prerequisite for setting standards that are principle-based and internally consistent. Any inconsistencies between the requirements of current IFRS standards and the new framework should be identified and addressed.

Accordingly, we believe that the IASB should develop and amend standards only on a complete and consistent conceptual framework. It should not publish a new standard that raises conceptual issues unless these conceptual issues are debated at the beginning of the consultation process before discussions on possible accounting treatments.

Besides, we believe that the IASB should focus on finishing the four main projects on its current agenda first. (i.e. financial instruments, insurance contracts, revenue recognition and leases).

Question 2(b): Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available. Which of the projects previously added to the IASB's agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why? Please link your answer to your answer to question 2(a).

As information in the consultation paper is insufficient to demonstrate that profits expected from the improvement of the projects selected justify the efforts and costs of implementation, we would not be able to determine which priorities and projects should be deferred or reactivated on the agenda.

However, we believe that the following points should be considered when selecting projects for the agenda:

– Objectives of the projects should be clearly demonstrated and improvements to the standard duly motivated by the Board of the IASB. This clear demonstration should go deeper into the details in order to clearly demonstrate the issues raised in practise showing the needs to review the accounting standards. It should also explain the outcomes of the new proposals within the framework of public interest. Thus it would avoid criticism that would be made on the relevance of the review of standards that do not cause any significant concerns in practice.

– Number of projects on the agenda should be limited in order to allow notably, first, the IASB to finalise the projects in a timely manner with the respect of the due process, and to comply with its previously announced timetable then, the stakeholders to undertake thorough analysis of the consultation papers, and finally, the re-exposure of the projects when finalisation of the project by the Board implies substantial changes to the project previously exposed.

We recommend that the next agenda should contain fewer projects than in the recent years as it would avoid projects being substantially deferred due to the IASB limited resources and time available.

– Adequate time should be devoted to the projects in order to allow the Board to undertake accounting research, outreach activities and field-tests to develop sufficiently robust standards and to avoid necessary amendments of standards that have been recently published.

– Focus should be put on the Conceptual Framework. Projects where concepts should be assessed under the Conceptual framework should be deferred as long as the conceptual issues they raised were not finalised. The IASB should complete its phased approach to update the conceptual framework in order to build a coherent Conceptual Framework.

Therefore, based on observations of recent projects, we believe that further work should be undertaken on the following issues:

- Improving and clarifying the concept of the Other Comprehensive Income in liaison with the concept of performance should be a priority. There is a lack of a consistent basis for determining how items should be split between profit and loss and OCI which has led to the somewhat inconsistent use of OCI in IFRS standards. A project should be conducted in order to debate on a principle for identifying items that should be recognised in other comprehensive income as opposed to profit and loss.

- Moreover, should be included in this debate, consistent methodology for reclassification of OCI items to profit and loss ("recycling"). Currently, decisions to allow recycling or not were made on a project-by-project basis in the absence of a conceptual basis.

We believe that the project of building fundamental principles related to OCI and performance should be conducted prior to the presentation financial statements project.

- Finally, the role of disclosures and disclosures requirements should be discussed with the objective to provide high quality and useful financial information and to avoid voluminous and irrelevant disclosures.