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Association pour la participation des entreprises françaises à l'harmonisation comptable internationale

Mouvement des Entreprises de France
MEDEF

A F E P

Association Française des Entreprises Privées

IASB
30 Cannon Street
London EC4M 6XH
UK

Paris, September 30, 2009

Re: *ED "Amendment to IAS 19 – discount rate"*

We welcome the opportunity to comment on the IASB exposure draft presenting changes in the determination of the discount rate of employee defined benefit obligations in the absence of a deep market in high quality corporate bonds.

While we strongly support IAS 19 principle requiring that pension obligations be discounted using high quality corporate bond rate and understand the rationale for the amendment the IASB is proposing, we disagree that the Board would make proposed amendments hastily.

Indeed the IASB plans to issue IAS 19 revised requirements in the near future as an intermediary step towards a complete overhaul of the standard. Successive changes in a short period of time are quite disruptive, and hinder financial reporting understandability and consistency.

We also have doubts that greater comparability among entities would be achieved. When government bond rates are easily observable, switching from those rates to estimated rates would lessen comparability, as no guidance would be on the basis of the ED be robust enough to ensure that every company would estimate high quality corporate bond risk premiums appropriately and consistently. IAS 39 fair value guidance would not help do that, and referring within IAS 19 to guidance that is subject for review may in our view create confusion. We observe that at present reflecting high quality bond rates in jurisdictions where the market is deep enough can result in dissimilar discount rates being used. We therefore suggest that the necessary amendment be analysed further and incorporated in the exposure draft planned to be issued later this year or early 2010.

Would the Board despite the arguments developed above pursue its project, we disagree with the analysis by the Board that the change would be a change in accounting policy. Government bond rates have been used as proxies for high quality corporate bond rates so far, and the amendment would drive entities to change an estimate in the computation of employee defined benefit obligations. We believe such a change should be made accordingly, even though the change of estimate is required by a new pronouncement. We therefore support prospective application of the amendment.

Should you wish any supplementary comment or explanation, please do not hesitate to contact us.

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Patrice MARTEAU Chairman	**Alexandre TESSIER** Director General	**Agnès LEPINAY** Director of economic and financial affairs