

Friday, September 5th, 2008

FBF Response to the Discussion Paper « Financial Instruments with Characteristics of Equity ».

Dear Sir,

The French Banking Federation is pleased to have the opportunity to comment on the Discussion Paper « Financial Instruments with Characteristics of Equity ».

We would like to point out that we participated to common working groups with the Conseil National de la Comptabilité (CNC) for the purpose of answering to the Discussion Paper and that we share comments provided by the CNC.

We have understood that the FASB wants to rationalize the distinction between liabilities and equities within USGAAP. But we are surprised that IASB intends to use this project to achieve a simplification of IAS 32.

Generally speaking, we think that any transposition of the FASB approach needs further discussions with IASB to confirm their consistency with the conceptual IFRS Framework.

Following the examination of the Discussion Paper, we reached the same conclusions as the CNC's and we do not consider that the three approaches proposed by the FASB could improve the provisions of IAS 32 and its interpretation issues. Therefore, we regard as being more efficient to focus on an improvement of the current IAS 32. Moreover, we have noted that some topics which are under the scope of IAS 32 are excluded from the scope of the FASB Preliminary Views. We mainly refer to IFRIC 2 *Members' Shares in Co-operative entities and Similar Instruments* and we would like to point out that any new proposition should take into account the significant work previously done on this matter as far as this issue is highly significant for many French and European entities which are currently under the scope of this interpretation.

For those reasons, we support the proposals of the CNC for both maintaining the approach currently existing in IAS 32 to distinguish debt instruments and equity instruments, and improving the provisions of IAS 32 on some fundamental issues identified as generating difficulties in the application of the standard, such as the introduction of the concept of an issuer's economic repayment obligation ("economic compulsion") as an enhancement to the current provisions of IAS 32 that are based on the strictly contractual obligation.

Sincerely,



Pierre de Lauzun

Sir David Tweedie, Chairman
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