CRÉDIT AGRICOLE S.A.

FIG - DCC
Direction de la Comptabilité et de la Consolidation

European Financial Reporting Advisory Group
Attn. Françoise Flores
35 Square de Meeûs
B-1000 Brussels

Montrouge, February 22, 2013

Ref: Impact of the Review Draft general hedge accounting on macro hedge accounting - Draft Comment Letter consultation

Dear Madam,

Crédit Agricole SA Group welcomes the opportunity to submit comments regarding this critical issue for banks, ie the macro hedge accounting.
As a major actor in the European banking industry, Crédit Agricole SA Group is strongly involved in macro-hedging activities as part of the entity's risk management activities.
Depending on the hedge relationships, Crédit Agricole SA Group currently applies both macro fair value hedge accounting and macro cash flow hedge accounting for the purpose of open portfolios hedging activities. The macro fair value hedge is primarily used in retail banking activities whereas the macro cash flow hedge is mainly used in corporate and investment banking activities as well as insurance activities; but each sector uses both accounting treatments.
To that extent, Crédit Agricole SA Group is concerned about the impact of the Review Draft (RD) IFRS 9 General hedge accounting on existing macro hedge relationships under IAS 39, and fully supports the present EFRAG draft comment letter.
As already stated in the EFRAG Joint field-Testing on general Hedge Accounting, Crédit Agricole SA Group considers that all accounting issues regarding open portfolios hedging activities should be addressed together. To make it clear, Crédit Agricole SA Group is in favour of a scope exclusion from the IFRS 9 General hedge accounting for both macro hedge accounting models, ie macro fair value hedge and macro cash flow hedge. Actually, Crédit Agricole SA Group does not understand the rationale for limiting the scope exclusion while *"hedges of open portfolios introduce complexity to the accounting for such hedges"* (BC6.10) whatever the types of hedging relationship and since *"the Board noted that this is a complex topic that warrants thorough research and input from constituents"* (BC6.15). Accordingly, all *"situations in which entities use a dynamic risk management strategy"* (BC6.14) should be handled separately in the future 'macro hedging' project.
This is also the reason why Crédit Agricole SA Group does not support the view that all macro cash flow hedge accounting issues could be resolved by incorporating in the IFRS 9 general hedge accounting model, some piecemeal Implementation Guidance of IAS 39 (extract form the section F). On the contrary, all the IAS 39 requirements and the related Implementation Guidance should be maintained for the purpose of macro hedge accounting, until the final IFRS 9 is published.

Yours faithfully,

Emmanuelle Yannakis
Head of Accounting Department

Olivier Belorgey
Global Head of Financial Management