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Le Président

JFL/MPC

N° 492

PARIS, 18th September 2008

Mr. Stig Enevoldsen

EFRAG

13-14 Avenue des Arts

1210 BRUSSELS

Belgium

Re : EFRAG Draft Comment Letter to the IASB Discussion Paper *Reducing Complexity in Reporting Financial Instruments*

Dear Stig,

Please find enclosed for your information the CNC Comment Letter on the Discussion Paper *Reducing Complexity in Reporting Financial Instruments*.

The CNC generally supports the EFRAG comments.

The CNC is in favour of a mixed model of accounting for financial instruments, with certain instruments re-valued at fair value, like financial instruments held for trading, others being measured at cost, with recognition of impairment if appropriate, such as financial assets and liabilities managed on a cash flow basis without leverage features. The CNC is also in favour of maintaining the principles relating to hedge accounting made necessary by the mixed model, and for hedges of non financial instruments.

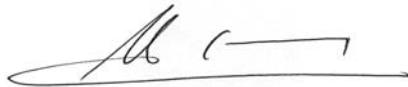
Regarding IAS 39, the CNC is in favour of genuine simplifications with a view to adapting the standard to reflect management methods, and particularly hedging of future transactions, foreign currency risk hedging transactions, hedging transactions for non-financial instruments and the hedging of net exposures (such as macro-hedging transactions).

The CNC would like to draw your attention on the two following points.

- The CNC is in favour of maintaining partial hedges and allowing partial hedges for non financial contracts. The CNC considers that deleting partial hedges is not a satisfactory solution and does not lead to defining principles consistent with the way these transactions are managed.
- The CNC is not in principle in favour of allowing portfolio reclassifications within a mixed model. The general principle should be to maintain the initial classification of the instrument. Where a trading instrument can no longer be exchanged because of the illiquidity of the market, the issue to be addressed is more one of measurement than of reclassification in another portfolio. Estimating criteria to evaluate market liquidity, especially in crisis period, need to be further examined by the IASB. Nevertheless, if the IASB Board persists in asserting that even when market are inactive, current transaction price normally provides the best evidence of fair value, the CNC considers that fair valuing the illiquid trading instruments as such is not appropriate, and portfolio reclassifications should be permitted.

I 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, appearing to read 'J. Lepetit', with a long horizontal flourish extending to the right.

Jean-François Lepetit