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Chairman

JH/NJ

n°7

Paris, the 23<sup>rd</sup> February 2010

**IASB**

**30 Cannon Street**

**LONDON EC4M 6HX**

**UNITED KINGDOM**

Dear Madam or Sir,

I am writing to comment on the “Management Commentary” Exposure-Draft (ED).

The ANC considers that the IASB should not take forward its project on management commentary for the reasons stated below:

- The primary focus of the IASB should be the completion of other pressing projects on its active agenda related to accounting standards;
- The form and content of management commentary should continue to be governed by regional and/or national legislation or regulations (such as securities regulations, company law, prudential regulation or corporate governance...). Indeed, in our territory, all entities benefit from a comprehensive and adequate legal framework. If needed, possible further work in this area would rather consist in a harmonisation of the various existing requirements on management commentary (legal, regulatory, prudential where relevant...) under the auspices of the relevant public authorities.

The ANC is not convinced however that the proposals set out in the ED e.g. of a “high level” framework for management commentary would result now in any major improvement in financial reporting.

To the contrary, it is likely to lead to confusion as:

- The status of this guidance is ambiguous. The IASB presents this guidance as non-binding. However, the ED appears to require that all management commentary-type reports accompanying IFRS financial statements should be prepared in accordance with the proposed guidance;
- The ED appears to focus on the fact that relevant forward looking information implies quantified information, such as performance measures, forecasts or projections. The ANC considers that judgment should be left to management to assess what type of information is more decision-useful for users.

More fundamentally, the ED is a source of confusion within the legal framework applicable as it proposes a document aimed to complement financial statements whereas it is agreed that financial statements should be self sufficient. In other words, such a document does not pertain to accounting nor is it a part of financial statements in a broader sense.

The only way to avoid this confusion, including undue conflict with existing laws and regulations in countries applying IFRS for a long time already, is for the IASB not to issue such guidance.

Our responses to the questions posed by the 'Invitation to Comment' are set out in the Appendix to this letter.

If you have any questions concerning our comments, we would be pleased to discuss them.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Haas', is centered on a light gray rectangular background.

Jérôme HAAS

## Appendix

### Detailed responses to the questions posed by the Invitation to Comment

**Question 1:** Do you agree with the Board's decision to develop a guidance document for the preparation and presentation of management commentary instead of an IFRS? If not, why?

The ANC considers that the IASB should not take forward its project on management commentary, for the reasons stated below:

- The IASB has many other pressing projects related to accounting standards on its active agenda. Its work plan is already very full and its resources limited. Thus, the ANC considers that the primary focus of the IASB should be the completion of these accounting projects. As such, the ANC is convinced that it is not appropriate at this time for the IASB to dedicate additional resources and time to this project;
- The form and content of management commentary should continue to be governed by regional and/or national legislation or regulations (such as securities regulations, company law, prudential regulation or corporate governance...). Indeed, in our territory, all entities benefit from a comprehensive and adequate legal framework. If needed, possible further work in this area would rather consist in a harmonisation of the various existing requirements on management commentary (legal, regulatory, prudential where relevant...) under the auspices of the relevant public authorities.

More generally, the ANC is not convinced that the proposals set out in the ED, e.g. of a high level framework, for management commentary would result in any major improvement in financial reporting. The IASB notes that "in some jurisdictions, some entities are accustomed to preparing management commentary-type reports because of local requirements or regulations imposed by the public exchanges on which their securities are listed. The Guidance published by the Board could prove useful to other entities". Where such well-developed local requirements or regulations already exist, such as in our territory, as stated below, the ANC considers that this ED is a source of confusion.

To the contrary, the ANC considers that this ED is likely to lead to confusion as:

- The status of this guidance is ambiguous. The IASB presents this guidance as non-binding. However, paragraph 8 of the ED states that "an entity's management should apply paragraphs 9-39 when preparing management commentary to accompany financial statements prepared in accordance with IFRSs". In certain territories, management commentary-type reports accompanying IFRS financial statements are mandatory but defined by local legislations or regulations. As such, the provisions of paragraph 8 appears to require the application of this guidance every time a management commentary-type report is issued which would not be acceptable.

- The ED appears to focus on the fact that relevant forward looking information implies quantified information, such as performance measures, forecasts or projections, particularly when discussing prospects and performance measures and indicators (par 35 to 39). The ANC considers that judgment should be left to management to assess what type of information is more decision-useful for users.

More fundamentally, the ED is a source of confusion as it proposes a document aimed to complement financial statements whereas it is agreed that financial statements should be self sufficient. In other words, such a document does not pertain to accounting nor is it a part of financial statements in a broader sense.

The only way to avoid this confusion, including undue conflict with existing laws and regulations in countries applying IFRS for a long time already, is for the IASB not to issue such guidance.

**Question 2 :** Do you agree that the content elements described in paragraphs 24–39 are necessary for the preparation of a decision-useful management commentary? If not, how should those content elements be changed to provide decision-useful information to users of financial reports?

Please refer to our response to Question 1.

**Question 3 :** Do you agree with the Board’s decision not to include detailed application guidance and illustrative examples in the final management commentary guidance document? If not, what specific guidance would you include and why?

Please refer to our response to Question 1.