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CHAIRMAN

AB/MPC

N°

Mr. Stig ENEVOLDSEN

EFRAG

Avenue des Arts 41

B – 1040 Brussels

BELGIUM

Re : IFRIC Draft Interpretation D 15 – *Reassessment of Embedded Derivatives*

Dear Stig,

The Conseil National de la Comptabilité (CNC) examined the Draft EFRAG commentary regarding the IFRIC Draft Interpretation D 15 - *Reassessment of Embedded Derivatives*

The CNC fully supports the conclusion reached in the consensus of the IFRIC Draft Interpretation D 15. We consider that :

- (i) the assessment about the existence of embedded derivatives has to be made only when the entity first becomes a party to the contract, and should not be reconsidered throughout the life of the contract ;
- (ii) a first-time adopter should make its assessment on the basis of the conditions that existed when the entity first became a party to the contract, and not on the basis of those prevailing when the entity adopts IFRSs for the first time.

With respect to the assessment of hybrid instruments on the date of acquisition as part of a business combination, we understand that, consistent with paragraph BC 9, the acquirer's assessment is required at the date of the business combination, when the acquirer becomes a party to the hybrid contract, which may result in a different conclusion to that reached by the acquiree at the initial contract date. We suggest that the IFRIC mentions more precisely this point.

Regarding the EFRAG Draft Commentary, we do not agree with the comments of the third paragraph of the Draft Letter regarding the reference of paragraph 4 in IFRIC D 15. In particular, we do not support the fact that changes to the substance of the contract as a result of certain variations in market conditions, even if these are very important (for example observable market prices becoming available after the contract has been concluded), would permit a subsequent reassessment of embedded derivatives. We consider that the subsequent reassessment of embedded derivatives has to be required only if there are changes in the terms of the contracts, as explicitly mentioned in paragraph 4 of IFRIC D 15. We believe that your comment introduces some ambiguity which could give rise to different interpretations.

If you want further information, do not hesitate to contact me.

Yours sincerely,

Antoine BRACCHI