

International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH

Paris, March 13, 2009

**RE: Exposure Draft Relationships with the State – Proposed amendments to IAS 24**

Dear Madam/Sir

We are pleased to comment on the above mentioned exposure draft on proposed amendments to IAS 24, *Related Party Disclosures*.

This exposure draft follows a previous exposure draft published in February 2007. In that document, the IASB proposed to amend IAS 24 so as to eliminate the disclosure requirements in paragraph 17 for entities that are controlled or significantly influenced by a state, in relation to transactions with other entities controlled or significantly influenced by the same state. The exemption would not apply if influence, identified by implementing an indicator based approach, existed in such relationships. Considering the respondents' comments, the Board decided not to finalise the exemption proposed initially.

Instead, another exposure draft proposing a revised exemption was published. In this document, entities that are controlled, jointly controlled or significantly influenced by the state would be exempted from the disclosure requirements of paragraph 17 without restrictions. However, they should disclose qualitative or quantitative information to indicate the extent of individually or collectively significant transactions with the state, or with other entities having themselves relationships with the same state.

As mentioned in our comment letter dated 24 May 2007, entities that are controlled, jointly controlled or significantly influenced by the state have great difficulty in identifying related party transactions with other entities under the control or the influence of the same state. That is why we support the revised proposed amendment as regards relationships with the state, since we believe the benefits of exempting state-controlled entities from detailed disclosures outweigh the disadvantages of eliminating potentially relevant information. Indeed, we believe two entities are not related parties only because they are controlled, jointly controlled or significantly influenced by the state. Besides, the potential disadvantages

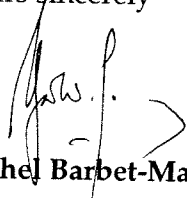
are reduced by the fact that specific disclosures are required on significant transactions when two entities are controlled, jointly controlled or significantly influenced by the same state.

As regards the additional amendments to the definition of a related party, we support this proposal which is aimed at including cases in the definition to treat similar relationships in a consistent manner.

Our detailed comments on the proposed amendments to IAS 24 are presented in the appendix.

We would be pleased to discuss our comments with you and are at your disposal should you require further clarification or additional information.

Yours sincerely



**Michel Barbet-Massin**

*Head of Financial Reporting Technical Support*

## Appendix to our letter on the exposure draft on proposed amendments to IAS 24

### Question 1 – State-controlled entities

*This exposure draft proposes an exemption from disclosures in IAS 24 for entities controlled, jointly controlled or significantly influenced by the state in specified circumstances.*

*Do you agree with the proposed exemption, and with the disclosures that entities must provide when the exemption applies? Why or why not? If not, what would you propose instead and why?*

We agree with the proposed exemption and with the disclosures that entities must provide when the exemption applies. Some may think that this exemption should be given in limited cases, i.e. if the only reason why two entities are related parties is because of their relationships with the same state. We think that this approach is not realistic in practice because it may still be burdensome and difficult to implement in environments where state-controlled entities are numerous. In our opinion, it is reasonable to consider that the exemption should be given without restrictions, while asking entities to provide limited information regarding significant transactions. We believe this pragmatic approach will come up to preparers' expectations while still meeting users' needs.

Besides, we note that the exemption proposed in this exposure draft would apply also to entities that are jointly controlled by the state. It was not clear whether the previous exposure draft published in 2007 concerned those entities. We welcome this change as we believe this is a consistent approach.

### Question 2 – Definition of a related party

*The exposure draft published in 2007 proposed a revised definition of a related party. The Board proposes to amend that definition further to ensure that two entities are treated as related to each other whenever a person or a third party has joint control over one entity and that person (or a close member of that person's family) or the third entity has joint control or significant influence over the other entity or has significant voting power in it.*

*Do you agree with this proposal? Why or why not? If not, what would you propose instead and why?*

We agree with this proposal which consists in correcting current inconsistencies in the definition of a related party. We also welcome the Board's efforts to make it easier to read the definition of a related party by reorganizing paragraph 9 of IAS 24.

### Question 3

*Do you have any other comments on the proposals?*

We have noticed that the Board decided to remove the proposed definition of a state published in the exposure draft of February 2007. We are aware of how difficult it might be to precisely define a notion that may take on very different forms from one jurisdiction to another. This is why we would suggest that the Board give implementation guidance relating to what should be considered as a state and the like.