

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Paris, 30 September 2009

Re: Exposure Draft ED/2009/10 – Discount Rate for Employee Benefits – Proposed amendment to IAS 19

Dear Sir or Madam,

MAZARS welcomes the opportunity to comment on the IASB Exposure Draft ED/2009/10 – *Discount Rate for Employee Benefits* (the ED).

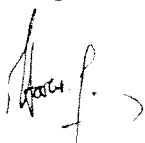
We understand the rationale for the proposed amendment and agree with the Board that using high quality corporate bonds or government bonds according to the depth of the local market weakens comparability across entities or through time for the same entity. Indeed, changing rate references when the local market for high quality corporate bonds is no more active leads to an increase of the employee benefit obligations not supported by changes in estimates or economic environment of the entity.

Nevertheless we wonder about the urgency for such a change, while the IASB is conducting some related projects. Especially we have concerns about the interactions between the ED and the Discussion paper – *Credit Risk in Liability Measurement*. If the Board through this amendment imposes to change references on entities that use government bond rates, their comparability in financial statements through time would be affected. We believe that it would not be relevant if further changes in the definition of discount rates are under examination.

Our detailed answers are set out in the Appendix.

Do not hesitate to contact us should you wish to discuss our comments.

Best regards,



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## Appendix

### Detailed answers to the specific questions raised by the ED

#### Question 1 – Discount rate for employee benefits

*Do you agree that the Board should eliminate the requirement to use government bond rates to determine the discount rate for employee benefit obligations when there is no deep market in high quality corporate bonds? Why or why not? If not, what do you suggest instead, and why?*

#### **Mazars comments**

We agree that the use of government bond rates when there is no deep market in high quality corporate bonds weakens comparability in financial statements across entities. Indeed two entities facing similar employee benefits obligations and similar economic environment will account for significantly different liabilities if one's jurisdiction does not have a deep market in high quality corporate bond. Moreover assessing the depth of the market is judgemental, and two entities within the same jurisdiction may have opposite conclusions on this matter.

Nevertheless we have concerns about the timing of the proposed amendment that to our mind does not deserve such an emergency process. We note that the Board published the ED two months after the Discussion paper – *Credit Risk in Liability Measurement*, whose conclusions may have a significant impact on measuring discount rates for employee benefits.

#### Question 2 – Guidance on determining the discount rate for employee benefits

*For guidance on determining the discount rate, do you agree that an entity should refer to the guidance in IAS 39 Financial Instruments: Recognition and Measurement for determining fair value?\* Why or why not? If not, what do you suggest instead, and why?*

#### **Mazars comments**

If the Board eliminates the requirement to use government bond rates to determine the discount rate for employee benefit obligations, we agree that an entity should refer to the existing guidance in IAS 39.

We have noted that the Board intends to update the reference to IAS 39 when it issues an IFRS resulting from the proposals in the Exposure draft – *Fair Value Measurement*. As mentioned in our comment letter on this ED, we recommend that the Board adopts the guidance of the Expert Advisory Panel related to illiquid markets, which could be relevant for measuring high quality corporate bond rates in countries where there is no deep market in such bonds.

### Question 3 – Transition

*The Board considered whether the change in the defined benefit liability (or asset) that arises from application of the proposed amendments should be recognised in retained earnings or as an actuarial gain or loss in the period of initial application (see paragraph BC10). Do you agree that an entity should:*

- (a) apply the proposed amendments prospectively from the beginning of the period in which it first applies the amendments?*
- (b) recognise gains or losses arising on the change in accounting policy directly in retained earnings?*

*Why or why not? If not, what do you suggest instead, and why?*

### **Mazars comments**

We agree with the transitional provisions proposed in the ED. Nevertheless, we believe that the Board should give more precise guidance on the consequences of the transitional provisions on the “corridor” method: should the limits of the “corridor” be remeasured as at the beginning of the reporting period, with a potential impact on the profit or loss if the cumulative not recognised actuarial gains or losses exceed the new limits?