Paris, 14th April 2009

Robert Herz
Financial Accounting Standards Board
401 MerrittV
P.O. Box 5116
Norwalk,CT 06856-5116

Sir David Tweedie
International Accounting Standards Board
30 Cannon Street,
London EC4M 6XH
United Kingdom

For the attention of the IASB Board and the FASB Board

Contact : C. DUPUY
☎ : 01.45.96.93.18
Fax : 01.49.74.27.28

Object : Comments in Response to FASB/IASB Preliminary Views on Financial Statement Presentation

Dear Sirs,

The Crédit Mutuel is pleased to provide its comments on the Discussion Paper of IASB "Preliminary Views on Financial Statement Presentation".

We agree with the objectives and believe that some of the proposals developed in the Discussion Paper (DP) will improve the decision-usefulness of financial statements presentation as it will be easier to identify the relationship between different statements while maintaining a sufficient level of summarisation and aggregation.

However, we are strongly opposed to:

- imposing the presentation of the statement of comprehensive income in one statement because this presentation merges realised and unrealised gains or losses,
- presenting a statement of cash flows based on a direct method, we question the usefulness of this statement for banks.

We deplore also some overlap between the proposals in the DP and information already required under IFRS 7, IFRS 3 and IFRS 8.

In addition, we would rather the DP does not refer to a management approach for classification as it could be misleading with the management approach as described in other standards as IFRS 8. We suggest to refer instead to a "functional classification" or business approach because as stated in paragraph 2.51, the financial statements will no longer be classified on the basis of elements (assets, liabilities and equity), but rather on the basis of functional sections and categories.

Moreover, as a financial statements preparer, we are concerned about certain requirements that do not offer additional elements suitable for bank analysis purpose. The complete set of financial statements and most of the notes have to be produced in a minimized time to enhance their usefulness and respect regulatory deadlines. That is why we urge the Boards to take into account the banking industry specific regulatory environment and exempt this sector from presenting information that are not necessary for users or analysts and can't be compared with other industries (for instance, the statement of cash flows, the reconciliation schedule, the contractual maturities of short term assets, etc).

Should you have any additional question, do not hesitate to contacting us.

Best regards,

Isabelle FERRAND

Chapter 2: Objectives and principles of financial statement presentation

Question 1

*Would the **objectives of financial statement presentation** proposed in paragraphs 2.5–2.13 improve the usefulness of the information provided in an entity's financial statements and help users make better decisions in their capacity as capital providers? Why or why not? Should the boards consider any other objectives of financial statement presentation in addition to or instead of the objectives proposed in this discussion paper? If so, please describe and explain.*

We believe that the objective of financial statement presentation should be the same than the objective proposed for financial reporting in the Boards' recent work for an improved Conceptual Framework. In other words, the financial statements objective is to provide a wide-range of users with decision-useful information.

Some guidance is needed to assess on a common basis whether presented information is useful. That is why the cohesiveness, disaggregation, liquidity and flexibility principles proposed as objectives in the Discussion Paper should be qualitative characteristics instead of objectives, specific to financial statement presentation, but in addition to the ones mentioned for financial reporting in the Boards previous recent work on Conceptual Framework that is to say *relevance, faithful representation, comparability, verifiability, timeliness and understandability.*

Moreover, being fully compliant with the objectives and related principles proposed in the DP does not always lead to the most useful information for users. For instance, financial statement highly disaggregated would not help users to focus on important information and could be confusing. Also, as far as financial institutions are concerned, information about contractual maturities of short-term assets and liabilities would not provide users with a faithful representation of the liquidity risk exposure as it does not correspond to liquidity risk management and won't help them to assess the entity flexibility. These aspects are developed below in our specific comment on each of the proposed principles.

Cohesiveness objective

The principles related to cohesiveness clearly improve financial statement presentation but even through the Discussion Paper proposals, we can observe that it is not always the most cohesive information that is the most useful. For instance, we agree with the following assertion in paragraph 2.74: "However, the boards reasoned that disaggregating and presenting income tax assets, liabilities and cash flows in the operating, investing, financing assets and financing liabilities categories would require complex and arbitrary allocations that are unlikely to provide useful information." "Cohesiveness" is an important qualitative characteristic for financial statements but the application of the related principles must avoid to present lines or information that are not meaningful for the users of financial statements (for example a too important disaggregation is useless and confusing).

Disaggregation objective

We agree that in order to present useful information, entities should minimize in their financial statements aggregation of items that are different in nature and respond differently to the same economic events. That is why we suggest paragraph 29 of current IAS 1 about aggregation and materiality remains unchanged. Without materiality criteria, the financial statements could become unclear. We also think that too many details in the face of the financial statements or in the note could prevent users from identifying the most useful information. For theses reasons, we propose "disaggregation" as one of the qualitative criteria for assessing decision-useful information and not as an objective.

Liquidity and financial flexibility objective

It is important for users of financial statements to be able to assess the liquidity and financial flexibility of an entity. However, as far as financial institutions are concerned, except presenting asset and liabilities by order of liquidity, most of the useful information is likely to be presented outside of financial statements. Liquidity disclosures are required mainly under IFRS 7 and can be presented outside financial statements. This latter information is useful because it is compliant with the entity practice. Most of the elements necessary for assessing an entity flexibility are also often presented outside of financial statements as most of them are non-accounting elements.
For these reasons we suggest the liquidity and flexibility to be qualitative criteria.

Question 2

*Would the **separation of business activities from financing activities** provide information that is more decision-useful than that provided in the financial statement formats used today (see paragraph 2.19)? Why or why not?*

In our opinion, this separation would not enhance decision-usefulness of information in an important way for financial institutions because as described in the DP, most of the elements will be classified in the business activities section.

Question 3

*Should **equity** be presented as a section separate from the financing section or should it be included as a category in the financing section (see paragraphs 2.19(b), 2.36 and 2.52–2.55)? Why or why not?*

We think that equity should be presented as a section separate from the financing section as changes in equity are covered by a specific statement. Doing so will enhance the cohesion between the financial section of the statement of financial position and the financial section of the statement of comprehensive income.

Question 4

*In the proposed presentation model, an entity would present its **discontinued operations** in a separate section (see paragraphs 2.20, 2.37 and 2.71–2.73). Does this presentation provide decision-useful information? Instead of presenting this information in a separate section, should an entity present information about its discontinued operations in the relevant categories (operating, investing, financing assets and financing liabilities)? Why or why not?*

We are in favour to present information about discontinued operation in a separate section and not to disaggregate or allocate elements into different section and categories because it will help users to better analyse futures cash flows. This approach is also compliant with IFRS 5.

Question 5

*The proposed presentation model relies on a **management approach** to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment (see paragraphs 2.27, 2.34 and 2.39–2.41).*
(a) Would a management approach provide the most useful view of an entity to users of its financial statements?
(b) Would the potential for reduced comparability of financial statements resulting from a management approach to classification outweigh the benefits of that approach? Why or why not?

(a) We agree that the approach referred to in the DP as "management approach to classification" will provide the most useful view in particular of non-financial entities because assets and liabilities are classified depending on their use by the entities. The usefulness of this approach is more limited for banking institutions. Moreover as explained before, we would rather that the DP does not refer to a management approach and use other wording as "business approach" or "functional approach" because it could be misleading with the management approach as described in other standards as IFRS 8 which permits to present internal information.

(b) Under the guidance proposed it does not seem that comparability will be reduced. We think that it is important to make a difference between a management approach with an almost full discretion allowed to management for presenting financial statements and the functional approach described in the DP. The first one can't be accepted in the face of the financial statement and would reduce comparability between entities but is useful for certain information presented in the notes. The second one is a guidance based on new principles that allow some discretion to management but do not reduce comparability between entities.

Question 6
Paragraph 2.27 proposes that both assets and liabilities should be presented in the business section and in the financing section of the ***statement of financial position****. Would this change in presentation coupled with the separation of business and financing activities in the statements of comprehensive income and cash flows make it easier for users to calculate some key financial ratios for an entity's business activities or its financing activities?*
Why or why not?

Regarding banking industry, this presentation is not relevant for users to calculate key financial ratios, because it seems that most of the activities will be found in a single section. Moreover, most of the relevant ratios are regulatory ones and are not only based on accounting data. This presentation is not the most suitable for banking institutions.

Question 7
Paragraphs 2.27, 2.76 and 2.77 discuss classification of assets and liabilities by entities that have ***more than one reportable segment*** *for segment reporting purposes. Should those entities classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level? Please explain.*

We are in favour to classify assets and liabilities at the entity level because this is compliant with how we manage our assets and liabilities and the overall view of the entity. Furthermore, a reportable segment level would implies less comparability between the primary financial statements of entities as it would introduce a classification depending on an internal definition of segment. It would also be difficult to users to understand easily and quickly how the statements are classified without a further analysis of the segment disclosures.

Question 8
The proposed presentation model introduces sections and categories in the statements of financial position, comprehensive income and cash flows. As discussed in paragraph 1.21(c), the boards will need to consider making ***consequential amendments to existing segment disclosure requirements*** *as a result of the proposed classification scheme. For example, the boards may need to clarify which assets should be disclosed by segment: only total assets as required today or assets for each section or category within a section. What, if any, changes in segment disclosures should the boards consider to make segment information more useful in light of the proposed presentation model? Please explain.*

We think that IFRS 8 require already all information needed on a segment level disclosure even in the light of the proposed presentation model. This recent standard provides information that is useful because it is based on a management approach but less comparative from an entity to another. So we believe that segment disclosure should not interfere with presentation of primary financial statements. Segment disclosures shall not be presented in the face of the primary financial statement but remain included in the notes.

Question 9
*Are the **business section** and the **operating and investing categories** within that section defined appropriately (see paragraphs 2.31–2.33 and 2.63–2.67)? Why or why not?*

We support the proposed definitions for the business section and the operating and investing categories because they allow sufficient management discretion and are based on a notion of core or non-core activities.

Question 10
*Are the **financing section** and the **financing assets and financing liabilities categories** within that section defined appropriately (see paragraphs 2.34 and 2.56–2.62)? Should the financing section be restricted to financial assets and financial liabilities as defined in IFRSs and US GAAP as proposed? Why or why not?*

We believe that this section should not be restricted to financial assets and financial liabilities because non-financial liabilities can be a financing source for the entity operations.

Chapter 3: Implications of the objectives and principles for each financial statement

Question 11
*Paragraph 3.2 proposes that an entity should present a **classified statement of financial position** (short-term and long-term subcategories for assets and liabilities) except when a presentation of assets and liabilities in order of liquidity provides information that is more relevant.*
*(a) What types of entities would you expect **not** to present a classified statement of financial position? Why?*
*(b) Should there be more guidance for distinguishing which entities should present a **statement of financial position in order of liquidity**? If so, what additional guidance is needed?*

(a) Banking institutions or as precised in paragraph 3.6, entities that engages in the business of taking deposits, effecting transactions in securities for the account of others, buying and selling securities on its own account, underwriting securities and issuing insurance contracts typically has financial assets and financial liabilities with a wide range of maturity dates within a short time period
(b) We do not think that more guidance is needed and we are favour to keep the presentation by order of liquidity optional depending on what presentation is most useful at the entity level.

Question 12

Paragraph 3.14 proposes that ***cash equivalents*** *should be presented and classified in a manner similar to other short-term investments, not as part of cash. Do you agree? Why or why not?*

We agree to present and classified cash equivalents in a manner similar to other short-term investments.

Question 13

Paragraph 3.19 proposes that an entity should present its similar ***assets and liabilities that are measured on different bases*** *on separate lines in the statement of financial position. Would this disaggregation provide information that is more decision-useful than a presentation that permits line items to include similar assets and liabilities measured on different bases? Why or why not?*

As far as we are concerned, the most useful disaggregation matches already our current practice under IFRS. For financial instruments, the classification required under IAS 39 present separately similar assets and liabilities that are measured on different bases. The necessary disaggregation relies not only on the basis on which assets and liabilities are measured but also on our business model. For example, financial instruments hold for trading are separated from those available for sale because they don't share the same management purpose. Therefore we think that the current practice provide sufficient disaggregation and is consistent with our business model. Regarding the other assets and liabilities, we think that current IAS 1 in paragraphs 55 provides sufficient requirements because it allows to present additional information on our non-financial assets and liabilities if necessary.

Question 14

Should an entity present comprehensive income and its components in a ***single statement of comprehensive income*** *as proposed (see paragraphs 3.24–3.33)? Why or why not? If not, how should they be presented?*

We are in favour to remain unchanged the current option of presenting comprehensive income and its components in a single statement of comprehensive income or in two statements. We do not support the presentation in a single statement because "net income" and the components of other comprehensive income (OCI) are different by nature and are not taken into account in the same way by users.
This presentation introduces artificial and unnecessary volatility in an entity results. Capital providers need to identify clearly the net income because it represents the realised result related to the current period and it is the amount that will be allocate into reserves or distribute to owners. It is also a good historical data for forecasting future net income. The comprehensive income is a data that can also be useful for analysis but with high level of uncertainty. Most of the OCI historical amounts are not meaningful as it is unrealised gains depending on an environment that can't be controlled.

Question 15

Paragraph 3.25 proposes that an entity should indicate the category to which items of ***other comprehensive income*** *relate (except some foreign currency translation adjustments) (see paragraphs 3.37–3.41). Would that information be decision-useful? Why or why not?*

We do not think that this information would have a predictive value or would be useful in other way but it would introduce too much and unnecessary details in the financial statements.

Question 16
Paragraphs 3.42–3.48 propose that an entity should further ***disaggregate*** *within each section and category in the statement of comprehensive income its revenues, expenses, gains and losses* ***by their function, by their nature****, or* ***both*** *if doing so will enhance the usefulness of the information in predicting the entity's future cash flows. Would this level of disaggregation provide information that is decision-useful to users in their capacity as capital providers? Why or why not?*

As explained in paragraph 3.52 of the DP, banks usually disaggregate information by nature because disaggregating information by function is not as relevant to the analyses of the performance of their business as is other information. Thus, presenting expenses separately for different functions to satisfy a by-function presentation requirement might result in less relevant information. We share also this view because financial statements present accounting information related to a current situation and its evolution since last reporting date and have no predictive value.

Question 17
Paragraph 3.55 proposes that an entity should allocate and present ***income taxes*** *within the statement of comprehensive income in accordance with existing requirements (see paragraphs 3.56–3.62). To which sections and categories, if any, should an entity allocate income taxes in order to provide information that is decision-useful to users? Please explain.*

We agree with the proposal mentioned in paragraph 3.55 that is to maintain the existing requirements. Any allocation of income taxes to each section and categories of the statement of comprehensive income would be arbitrary and therefore irrelevant.

Question 18
Paragraph 3.63 proposes that an entity should present ***foreign currency transaction gains and losses****, including the components of any net gain or loss arising on remeasurement into its functional currency, in the same section and category as the assets and liabilities that gave rise to the gains or losses.*
(a) Would this provide decision-useful information to users in their capacity as capital providers? Please explain why or why not and discuss any alternative methods of presenting this information.
(b) What costs should the boards consider related to presenting the components of net foreign currency transaction gains or losses for presentation in different sections and categories?

(a) We think that presenting foreign currency transaction gains and losses in the same section and category as the assets and liabilities that gave rise to the gains or losses would not be a faithful representation of our management of the currency risk because we monitor global foreign exchange positions. Consequently allocating the foreign currency transaction gains and losses in some separate section would be misleading for users.

(b) This proposal would involve an additional amount of work to disclose an information that will not improve the usefulness of the financial statements for users.

Question 19
Paragraph 3.75 proposes that an entity should use ***a direct method of presenting cash flows*** *in the statement of cash flows.*
(a) Would a direct method of presenting operating cash flows provide information that is decision-useful?
(b) Is a direct method more consistent with the proposed cohesiveness and disaggregation objectives (see paragraphs 3.75–3.80) than an indirect method? Why or why not?

(c) Would the information currently provided using an indirect method to present operating cash flows be provided in the proposed reconciliation schedule (see paragraphs 4.19 and 4.45)? Why or why not?

(a) Cash is not a relevant data to analyse the activity of the banking industry entities. The statement of cash flows of those entities – either based on a direct method or an indirect method – is of no use for analysts or users of financial statements. The statement of cash flows presents a restrictive view of the processes that create value in banks. We would recommend to the Boards to reconsider whether include the statement of cash flows in a complete set of financial statements is necessary for banks. Those entities managed their liquidity risk on continuing basis while the statement of cash flows provides information on the current period and has no predictive value. Banks provide already in the notes more useful information on their ability to generate cash flows and to manage their liquidity.

(b) A direct method would probably not provide decision-useful information as it is not an expressed need of users. Therefore we do not support the direct method and the additional statement that is needed to replace the information provided by an indirect method.

(c) We believe that the cash flow statement is not relevant for banks and the reconciliation schedule to the statement of comprehensive income is of no use and should not be required.

Question 20

*What **costs** should the boards consider related to using a direct method to present operating cash flows (see paragraphs 3.81–3.83)? Please distinguish between one-off or one-time implementation costs and ongoing application costs. How might those costs be reduced without reducing the benefits of presenting operating cash receipts and payments?*

As we explained in response of Question 19, we consider that there is no benefice in presenting the statement of cash flows for banking institution. Among the one-off costs, the most significant is the adaptation of IT systems, in particular, being able to affect each operation related to cash in a line item of the direct statement of cash flows. Among the ongoing application costs, we will have to continue to affect each cash operation to a category every time a new sort of operations is realised. These operations can be very complex for banking institutions. Present this statement in a direct method will be costly in term of expenses and time of preparation.
We would like to draw the Boards' attention to the fact these propositions are inconsistent with the need of entities and notably banks which have to produce the complete set of financial statements and most of the notes as quickly as possible.

Question 21

*On the basis of the discussion in paragraphs 3.88–3.95, should the **effects of basket transactions** be allocated to the related sections and categories in the statement of comprehensive income and the statement of cash flows to achieve cohesiveness? If not, in which section or category should those effects be presented?*

We would encourage the Board to allow entities to allocate the effects of basket transactions to the related sections and categories or to present the whole effect in a single section or category depending on the materiality of the operation or the date of the transaction. As sufficient disclosure is required under IFRS 3, the users will have all necessary information on the effects of a business combination in the notes.

Chapter 4: Notes to financial statements

Question 22

Should an entity that presents assets and liabilities in order of liquidity in its statement of financial position disclose information about the ***maturities of its short-term contractual assets and liabilities*** *in the notes to financial statements as proposed in paragraph 4.7? Should all entities present this information? Why or why not?*

As far as we are concerned, we think that all relevant information is required under IFRS 7. IFRS 7 covers the risk exposure of financial instruments which are the core business of the banking industry and requires sufficient information about the nature and the extent of the liquidity risk. Therefore, we think that the proposed presentation should not be applied to the banking industry. We doubt contractual maturities can be more meaningful than expected maturities and we don't share the Boards rationale for presenting both kind of information.

Question 23

Paragraph 4.19 proposes that an entity should present a schedule in the notes to financial statements that reconciles cash flows to comprehensive income and disaggregates comprehensive income into four components: (a) cash received or paid other than in transactions with owners, (b) accruals other than remeasurements, (c) remeasurements that are recurring fair value changes or valuation adjustments, and (d) remeasurements that are not recurring fair value changes or valuation adjustments.

(a) Would the proposed ***reconciliation schedule*** *increase users' understanding of the amount, timing and uncertainty of an entity's future cash flows? Why or why not? Please include a discussion of the costs and benefits of providing the reconciliation schedule.*

(b) Should changes in assets and liabilities be disaggregated into the components described in paragraph 4.19? Please explain your rationale for any component you would either add or omit.

(c) Is the guidance provided in paragraphs 4.31, 4.41 and 4.44–4.46 clear and sufficient to prepare the reconciliation schedule? If not, please explain how the guidance should be modified.

As explained before we do not support any method for the statement of cash flows because it is of no use for banks owners and we would rather not present it. The reconciliation schedule would not be more relevant or useful. The statement of cash flows or the reconciliation schedule will not help users in predicting future cash flows.

Question 24

Should the boards address further disaggregation of ***changes in fair value*** *in a future project (see paragraphs 4.42 and 4.43)? Why or why not?*

We do not think that further disaggregation is needed.

Question 25

Should the boards consider other ***alternative reconciliation formats*** *for disaggregating information in the financial statements, such as the statement of financial position reconciliation and the statement of comprehensive income matrix described in Appendix B, paragraphs B10–B22? For example, should entities that primarily manage assets and liabilities rather than cash flows (for example, entities in the financial services industries) be required to use the statement of financial position reconciliation format rather than the proposed format that reconciles cash flows to comprehensive income? Why or why not?*

As explained before, we do not support the direct method for presenting the statement of cash flows and consequently we think that there is no need for considering any alternative reconciliation format.

Question 26

*The FASB's preliminary view is that a memo column in the reconciliation schedule could provide a way for management to draw users' attention to **unusual or infrequent events or transactions** that are often presented as special items in earnings reports (see paragraphs 4.48–4.52). As noted in paragraph 4.53, the IASB is not supportive of including information in the reconciliation schedule about unusual or infrequent events or transactions.*

(a) Would this information be decision-useful to users in their capacity as capital providers? Why or why not?

(b) APB Opinion No. 30 Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, contains definitions of unusual and infrequent (repeated in paragraph 4.51). Are those definitions too restrictive? If so, what type of restrictions, if any, should be placed on information presented in this column?

(c) Should an entity have the option of presenting the information in narrative format only?

The narrative and quantitative information already needed under IFRS seems to be sufficient to provide information to the users about an infrequently occurring event as a business combination or the effects of disposal of a segment of business.

Question specific to the FASB

Question 27

*As noted in paragraph 1.18(c), the FASB has not yet considered the **application of the proposed presentation model to non-public entities.** What issues should the FASB consider about the application of the proposed presentation model to non-public entities? If you are a user of financial statements for a non-public entity, please explain which aspects of the proposed presentation model would and would not be beneficial to you in making decisions in your capacity as a capital provider and why.*

Not applicable

We hope you'll find these comments useful and would be pleased to provide any further information.

Yours sincerely.

Confédération Nationale du Crédit Mutuel (France)
DIRECTION GESTION - FINANCE
Isabelle FERRAND