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Le Président

JFL/PhS

N° 16

PARIS, 18 March 2009

**The IAS 24 Project Manager
International Accounting Standards Board
30 Cannon Street

LONDON EC4M 6XH
UNITED KINGDOM**

Relationships with the State

Exposure Draft of proposed amendments to IAS 24

Dear Sir/Madam,

I am writing on behalf of the CNC to give you our comments on the above-mentioned Exposure Draft (ED).

Our detailed comments are set out in the Appendix.

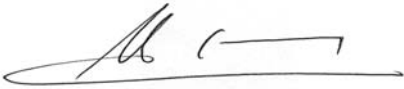
We support the objective of exempting entities controlled, jointly controlled or significantly influenced by the same state from the disclosure requirements of §17 of IAS 24, to the extent that the difficulties or the cost of producing the information might outweigh its relevance to users of financial reporting.

We are, however, concerned that the scope of the exemption, as proposed in the ED, is too broad. The proposed exemption would apply to all relationships between entities controlled, jointly controlled or under significant influence of a state. The latter may also be related for reasons other than control, joint control or significant influence by the state (e.g. where the entities were already related parties prior to the state taking control and continue to be so afterwards) and information on the related transactions may well be relevant to users of financial reporting. For this reason, we would prefer the exemption to apply when two entities are only related because they are controlled, jointly controlled or significantly influenced by the same State.

In addition, we agree with the proposed extended definition of a related party although we have reservations about its application to close members of a person's family in the circumstances set out in paragraph 9(b) (ix) of the ED. The latter concept is judgmental, implies obtaining inside information on the interested parties and, as a consequence, will be difficult to apply consistently.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Lepetit', with a long horizontal flourish extending to the right.

Jean-François Lepetit

APPENDIX

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?

1.1. We agree in principle that entities controlled, jointly controlled or significantly influenced by the same state should benefit from an exemption from disclosures under IAS 24.

1.2. However, we note that the exemption proposed in the ED leads to a loss of relevant information on certain transactions for users of financial reporting. Entities may be related parties for reasons other than that of control, joint control or significant influence of a state (e.g. where the entities were already related parties prior to the state taking control and continue to be so afterwards) and information on the related transactions may be relevant for users. However, such information will be exempted from disclosure under the proposals in the ED, as long as there is also control, joint control or significant influence of a state. We would therefore prefer the exemption to apply when two entities are related **ONLY** because they are controlled, jointly controlled or significantly influenced by the same state.

1.3. The ED does not propose a full exemption from providing information on transactions between state-controlled entities. Instead the requirements of paragraph 17 of IAS 24 would be replaced by the less detailed ones in paragraph 17B of the ED. Paragraph 17B requires disclosure of the identity of the state entity, the nature of the relationship, the types of significant transaction including quantitative or qualitative indications of their extent. It is therefore still necessary to identify the other state-controlled entity and the nature of the relationship that exists. It is our understanding that this identification is a source of difficulties, in particular in certain jurisdictions where state-controlled entities are very widespread. The ED proposes a limitation of disclosures to transactions which are significant in respect of the financial statements. We believe that the information given to users would be more relevant if disclosure was limited to transactions that are both significant and influenced by the relationship with the state or other state-controlled entities. We suggest that it should be left to preparers to exercise their judgment to determine when such influence exists.

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 entity 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?

2.1. The ED introduces an amendment whereby two entities are related to each other whenever a person or a third entity 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. This amendment is proposed in order to reinstate a case inadvertently omitted from the previous exposure draft.

2.2. We are in agreement with the proposal, subject to the difficulty of applying paragraph 9 (b)(ix) of the ED where "a person or a close member of that person's family (a) has significant influence over the entity or significant voting power in it and (b) has joint control over the reporting entity. In particular, we wish to draw attention to difficulties that would arise in applying this amendment in relation to (a) the notion of "a close member of that person's family" and (b) the concept of significant voting power.

2.3. The notion of "a close member of that person's family" raises (a) a problem of definition: who are precisely close members of family? (b) practical difficulties in establishing whether such a relationship exists.

2.4. The standard leaves it up to the preparer to judge whether certain family ties constitute "close members of the family". In addition, the preparer would need to have inside information on the private lives of the people potentially concerned by this requirement. For these reasons, this requirement may be difficult to apply. We note with respect to Example 4 of the Illustrative examples that, according to the judgment of the preparer on whether X and Y are close members of the same family based on the information available to him, Entity A and Entity B may or may not be related entities.

2.5. The concept of "significant voting power" should be defined as different interpretations may be possible. In practice it may well be difficult for a reporting entity to determine whether "a person or a close member of that person's family" has "significant voting power" in the entities it deals with.

Question 3

Do you have any other comments on the proposals?

3.1. The definition of a "state" which appeared in the February 2007 ED has been omitted without explanation from the current draft. We are aware that state organisations in different jurisdictions may take on diverse forms and that it is therefore difficult to establish a common definition. We are also aware that preparers will be faced with the difficulty of determining in their own jurisdiction whether a particular organisation can be regarded as "state". We therefore suggest that the IASB consider what form of guidance could be given to these preparers.