

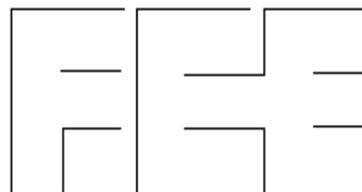
Date
18 June 2004

Le Président

Fédération
des Experts
Comptables
Européens
AISBL

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Ms Andrea Pryde
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Dear Ms Pryde,

Re: Consultation Paper: Strengthening the IASB's deliberative processes

FEE (Federation of European Accountants, Fédération des Experts Comptables Européens) welcomes the consultation on IASB's deliberative processes. On 11 February we wrote to Mr. Seidenstein, (Director of Operations and Secretary of the IASCF) to present our views on the Constitutional Review. An important part of the letter was dedicated to the due process of the IASB (see attached in the appendix). We welcome IASB's intention to publish a handbook of policies and procedures related to its due process.

We recognise that many of the issues raised in our letter of 11 February have been addressed in the IASB Consultation Paper, notably:

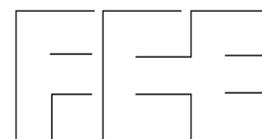
- More frequent use of field testing as part of standard procedures.
- Issuance of a discussion paper before an exposure draft is issued.
- Feedback on comments received: basis for conclusions and website.
- Advisory committees with outside specialists, if IASB itself has not the appropriate knowledge and experience on any particular subject matter.
- Public hearings and round tables.
- Re-exposure in case of fundamental changes compared to original exposure draft.
- Access to Board papers in open meetings.

We also recognise that IASCF includes amongst its ten main issues the voting procedures of IASB and suggests a move from simple majority to qualified majority. Given the wide implications of new or amended standards and IASB's public interest role, and in order to ensure a strong consensus on the Board in respect of new exposure drafts and standards of the highest quality, it is advisable to change the voting rules to a qualified majority.

We welcome the improvements suggested to access to IASB discussions, including the web broadcasting as well as the expansion of observer notes and the publication on the website of a summary of the Board's position on the major points raised in the comment letters (once they have been addressed).

We would however like to draw your attention to the following issues which are not yet addressed in the consultation paper on strengthening the IASB's deliberative processes:

- The IASB work programme, its priorities and convergence priorities need to be properly debated with involvement of all major players. The agenda and work programme need to be established in a



transparent process. In addition we would appreciate more transparency in the process for setting IASB priorities. The convergence project should not automatically drive the overall priorities in the IASB work programme.

- The credibility of the due process may be undermined by decisions not to debate criticisms of particular proposals on the grounds that the issues had been considered at an earlier stage, or by a belief that external views might be biased and should thus be excluded.
- The understandability and the practicability of the standards are major issues of concern.
- Given the complexity of the standards and the need to respect a proper due process within the organisation that provides the comments, longer comment periods need to be considered. The length of the comment period could depend on the complexity of the proposed standard.
- Though IASB may authorise translations of documents by other organisations, it would be advisable that guidance is given when translations made by third parties are allowed. More than one authorized translation published in any language should be prevented.

We would be grateful if these additional points could be considered or to receive a clarification on why these issues are not of such importance.

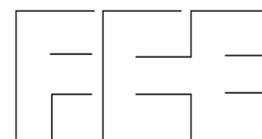
In addition we would like to emphasise that it is necessary for the IASB to give indications that it will continue to work on the standards that have been identified for short time action (for example IFRS 4, IAS 32/39, leasing etc.) before “breaking new ground”.

We encourage the IASB to put the proposed actions into practice as soon as possible.

We would be pleased to discuss with you any aspect of this letter you may wish to raise with us.

Yours sincerely,

David Devlin
President

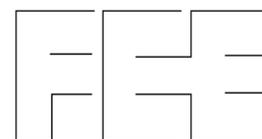


Appendix: Extract FEE letter to IASCF of 11 February

IASB Due Process

We have indicated before that accountability should be an important characteristic of the IASB. As part of improved accountability, the due process of IASB should be reviewed as well of certain of its processes. We realise that the IASB and staff over the last few years had to work and is working under pressure of the “2005” deadline. It is a great achievement that the IASB is about to complete a stable platform of a comprehensive set of international standards against the backdrop of the many demanding issues that need to be resolved. Based on our experiences so far we would like to make the following suggestions:

- The IASB work programme, its priorities and convergence priorities need to be properly debated with involvement of all major players (see our general comments 2). The agenda and work programme need to be established in a transparent process.
- The credibility of the due process may be undermined by decisions not to debate criticisms of particular proposals on the grounds that the issues had been considered at an earlier stage, or by a belief that external views might be biased and should thus be excluded.
- The understandability and the practicability of the standards are major issues of concern as indicated before. Field-testing could more frequently be considered as part of the procedures for a proposed new standard and for any major revision to a standard.
- For standards on major new topics and major changes to current standards, the IASB should normally issue first a discussion paper before any exposure draft is issued.
- Given the complexity of the standards and the need to respect a proper due process within the organisation that provides the comments, longer comment periods need to be considered. The length of the comment period could depend on the complexity of the proposed standard.
- Given the significant economic, legal and practical impact of IFRS and the public interest role of the IASB and in order to ensure a strong consensus on the Board in respect of new exposure drafts and standards of the highest quality, we consider it advisable to change the voting procedures to qualified majority (10 out of 14 members) (see our general comments 3).
- The feedback published on the results of IASB consideration of comment letters submitted is insufficient. A lack of transparency is evident in current procedures in as far as it is not possible to determine the reasons behind acceptance or rejection of suggestions from comments submitted nor whether they have been accorded consideration in terms of their validity or importance. It is similarly unclear whether particular emphasis is given to the consideration of comments submitted by specific bodies. In addition to the Basis for Conclusions (or as part of it), IASB could usefully introduce a feedback statement to discuss the main comments and the reasons why they are rejected (as far as not yet discussed in the Basis for Conclusions). Our experience with feedback statements issued by CESR and the European Commission is very positive in this respect.
- IASB members in addition to the staff should consider establishing committees with outside specialists to get a more detailed understanding of the issues, implications and complexities at stake for areas that require very specific skills or experience or where the IASB members have reason to believe that they might not have sufficient experience and first hand application knowledge of the topic.
- On major issues, the IASB should seriously consider increasing the organisation of public hearings or round tables, either at early discussion stage, or during the exposure period.
- There is a lack of transparency in the process from exposure draft to final standard. If there are substantial and/or fundamental changes compared to the original exposure draft, the proposed standard should be re-exposed.



- Open meetings would be much more effective if access to Board papers is provided, at least during the IASB meetings, in order to be able to follow the debate (this could be in form of paper copies to be returned after the meeting in order to avoid public distribution of IASB working documents or by allowing visitors to view documents on screen.)
- Though IASB may authorise translations of documents by other organisations it would be advisable that guidance is given when translations made by third parties would be allowed and it should be prevented that more than one authorized translation would be published in any language.