

February 15, 2002

International Accounting Standards Board
1st Floor, 30 Cannon Street, London
EC4M6XH, United Kingdom

Dear Madam or Sir:

With regard to the Exposure Draft of the International Financial Reporting Standards (IFRS) 'Preface' that was released by IASB in November 2001, I am sending our comments as attached. For information, I have already sent this comment letter by e-mail dated 15th, 2002.

Sincerely yours.



Masaaki Misawa
Manager
Planning & Coordination Dept.
Japanese Bankers Association

(ZENGINKYO)

February 15, 2002

International Accounting Standards Board

Japanese Bankers Association

Comments on the Exposure Draft of the IFRS "Preface"

The Japanese Bankers Association (JBA) is a trade organization representing 152 Japanese banks and 35 foreign banks operating in Japan. JBA is grateful to the International Accounting Standards Boards (IASB) for this opportunity to comment on the Exposure Draft of the International Financial Reporting Standards (IFRS) "Preface" that was released by IASB in November 2001.

The Exposure Draft contains process for setting international accounting standards at IASB and has an impact on all industries, including the banking industry. For this reason, JBA would like to submit comments as follows.

1. In setting international accounting standards, IASB should fully consider cost and benefits involved. If the benefits are expected to be less than the cost, IASB should not introduce the standards.

JBA understands that the purpose of IASB is to set internationally enforceable accounting standards. IASB should fully pay attention to feasibility and the merit outweighing the cost, as well as examine the standard from the viewpoint of accounting theories.

Particularly, IASB should fully analyze and consider the comments submitted by various parties on the discussion papers or exposure drafts before finalizing exposure drafts or standards, respectively.

2. Alternative accounting treatments should be provided.

IASB, in its IAS Improvement Project, currently considers removing alternative treatments to eliminate inconsistencies that exist between the current IASs and improve comparability of financial statements of different companies.

However, as admitted in the former IASC, in the case that there are major practical

hurdles in applying only one treatment, IASB should admit alternative treatments in addition to a standard one, on the condition that notes to the financial statements be stated.

3. Experts in accounting practices should be included in advisory groups and IASB staff.

Discussions in the advisory groups are an important step for establishing international accounting standards. The advisory groups conduct research on each nation's accounting standards and practices, help IASB set high quality global accounting standards without being heavily inclined to theoretical aspects. Therefore, those who are in charge of accounting practices in corporations and who have expertise and business experience should be included in the advisory groups. The same may be said of IASB staff, too.

At the same time, the discussion-time-frame of the advisory groups should be sufficiently secured to reach as much consensus as possible. IASB should seriously take into consideration discussions of the advisory groups.

4. Exposure drafts, which JBA expects to reflect comments that were submitted concerning discussion papers, should be published after a consensus among parties concerned is reached.

Changes in regard to the framework of international accounting standards will have a great impact on the business activities. This is the case with the JWG draft standards regarding comprehensive fair value accounting. Therefore, JBA requests IASB to publish exposure drafts only after reaching a consensus among parties concerned on major issues in discussion papers.

5. The results of field tests should be published to prevent their misuse

The Exposure Draft of the IFRS "Preface" states that IASB will examine whether conducting field tests is desirable, and if considered desirable, they will be conducted. Such field tests are an important factor to assess objectively whether the accounting standards being discussed at IASB are practically applicable and the standards provide useful information for investors.

Therefore, JBA thinks it important to analyze field tests without cherry picking and to publish the results. In addition, issues that have been found as a result of the field tests should be adequately addressed in making exposure drafts.

6. In setting international accounting standards, continuity should be respected and frequent reviews should be avoided.

In paragraph 6 (b) of the Exposure Draft of the IFRS "Preface", it is stated that one of "the Objectives of the IASB" is "to promote the use and rigorous application of those standards." In line with this objective of IASB, frequent fundamental reviews should be avoided once an international accounting standard is established.

For example, the IAS 39 has already been applied since January 2001 as the international accounting standard. In Japan, the accounting standards for financial instruments, which were modeled after IAS 39, have been applied since the fiscal year 2000 (from April 1, 2000). On the other hand, the JWG draft standards that would be substituted for IAS 39 was published for comments in December 2000.

The fundamental review of an existing international accounting standard has a great impact on both national standards and companies that are publishing their financial statements in accordance with those national standards. Therefore, once an international accounting standard is established, IASB should endeavor to permeate it, and refrain from entering into changing an existing standard unless a fundamental issue arises. The burden of the preparers should be taken into consideration.

(End)