



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

August 1, 2005

IASB
30 Cannon Street
London EC4M 6XH
United Kingdom
(Email: commentletters@iasb.org)

Dear Sir:

Re: IAA comments on the *Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB*

In response to the request for comments to the *Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB*, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

We believe that effective and cooperative relations between the IASB and other accounting standard-setters are very important in the development of a set of high quality international standards for financial reporting. In addition, we encourage the continued convergence of financial reporting standards. We are pleased to provide our commentary on the current proposals. We hope that you find the attached comments to be of value.

These comments have been prepared by a committee of the IAA, the members of which are listed by name and association in the Appendix to this submission.

Yours sincerely,

Yves Guérard
Secretary General

Attachment

IAA comments on the Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB

THE INTERNATIONAL ACTUARIAL ASSOCIATION

The International Actuarial Association (IAA) represents the international actuarial profession. Our fifty-two Full Member actuarial associations represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism around the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within, or likely to have an impact upon, the areas of expertise and practice of actuaries.

We are not a trade association and do not represent the interests of either clients or employers. As actuaries, we have developed significant experience and expertise in the assessment of the value of contingent cash flows. Using this experience, actuaries will continue to provide assistance to those involved in the enhancement of financial reporting standards to make them more useful to the users of financial statements.

IAA COMMENTS

The IAA appreciates this opportunity to provide input to the IASB regarding the *Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB*. We commend the continuing, very worthwhile, efforts of the IASB to develop globally accepted international financial reporting standards. The following are our comments corresponding to numbering including the Draft Memorandum.

- Working with regulators. The definition of regulators in this section should be clarified. Although it seems clear that this refers to capital markets regulators, it is not as clear as to whether it also refers to industry regulators. For instance, in the case of insurance companies, industry regulators are insurance regulators, such as the NAIC in the U.S. (in contrast with the SEC which is the capital market regulator) or the FSA in the U.K. Does this section suggest that national/regional accounting standard-setters should “keep their domestic industry regulators informed of relevant IASB initiatives and encourage those regulators to participate in international convergence efforts in their own regulatory areas” where appropriate?

Does this mean that the IASB will attempt to converge its IFRS with regulatory financial statements, such as is used for insurance entities? Although we agree that this might be an optimal situation, we believe that this document should be far more explicit as to what national/regional accounting standard-setters’ objectives should be.

- Paragraph 2.1. To be more precise, we suggest changing “deal” to “address the barriers and promote the removal of such barriers”.
- Paragraph 2.3. The IAA suggests that “National/regional” should be added at the beginning of the sentence and should generally precede the term “accounting standard-setters” throughout the document, as certainly the IASB is an accounting standard-setter. Also, change “domestic regulatory” to “corresponding domestic/regional regulatory” for clarity and consistency.

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- Paragraph 3.4. The IAA suggests that “forums” being referred to be clarified. Are these sponsored by the national/regional accounting standard-setters or the IASB? If the former, should the IASB co-sponsor these forums?
- Paragraph 3.7. The IAA believes that reference to “issue of common interest” should be clarified, possibly through an example in addition to the interpretation given. Does the “database of issues” refer to research, new standards, communications, interpretations, and educational material? (see also our comment to 6.6/7.4) Although we agree that this would be valuable, we also realize that its resource requirements might turn out to be large. Also, we suggest adding “or have considered” after “considering in the third line from the bottom.
- Paragraph 3.19. Although the reference here and elsewhere is to communicate views direct to the IASB, IFRIC or IASCF, it would be generally useful to identify to whom at the IASB, IFRIC or IASCF these views should be communicated. It would be useful to develop, if it does not always exist, a primary contact list regarding the individual(s) at the IASB that accounting standard-setters can contact in a particular area. This clarity of contacts can encourage such communication.
- Paragraph 3.20. To enhance clarity, the IAA suggests that “national/regional” be added before “government agencies.” In addition, we suggest changing “who are engaged in non-technical debate” to “who are engaged in technical or non-technical.” We believe that it would be useful for national/regional accounting standard-setters to channel information flowing from their jurisdiction to the IASB on all related matters.
- Paragraph 3.22. The IAA suggests that accounting standard-setters also make the IASB aware if they believe that the IASB should initiate a new project.
- Paragraph 4.1(b). The IAA does not understand why the FASB is singled out as the only national accounting standard-setter that can direct an active project. At a future time, it might be appropriate if another national accounting standard-setter might serve to direct such a project. In addition, we note that it would be appropriate to extend the strictures imposed by paragraph 65 of the draft handbook of Consultative Arrangements to partners and partner staff.
- Paragraph 4.2. The IAA suggests adding “, making use of additional resources” after “views” in the fourth line. In addition, in the third sentence, reference is made to “could” be” team members to members or staff of accounting standard-setters. We believe that it might be appropriate to confirm that this is not limiting, i.e., that in certain cases that others might be appropriate, e.g., former members or staff or specialists.
- Paragraph 4.6. Regarding working groups, we ask whether accounting standard-setters should be encouraged to have liaisons/representatives to these groups, limited in number due to any limitations of space available and to the desired size of the groups, particularly with respect to attendance at meetings.
- Paragraph 6.1. Another point (possibly (d)) that could be added is the translation into other languages,
- Paragraph 6.2. The IAA suggests changing the second “a” in the first line to “sufficient”.

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- Paragraph 6.3. The word “should” should be reviewed for possible change. Since the Understanding is not legally enforceable, “should” might not be applicable, while “must” might be preferable.
- Paragraph 6.5. For grammatical reasons, “for an” should be replaced with “to”.
- Paragraphs 6.6 and 7.4. Accounting standard-setters should communicate to the IASB so that they can maintain a public data base of modifications or apparently inconsistent interpretations to the IASB. An example is the Spanish interpretation by its regulator responsible for both regulatory and general purpose accounting standards of a significance test for insurance being at the 1% level. In addition, in 7.4, fourth line, we suggest adding “regulatory” to “legislative”.
- Paragraph 7.5. The IAA is somewhat troubled by the inability of appeal to IFRIC or the IASB if an issue is not addressing if the explanation is not sufficient to the accounting standard-setter involved. Although we hope that this never arises, it may be appropriate for an appeal to go to the Trustees, although it could be noted that this would be expected to arise very infrequently.
- Paragraph 7.6. The IAA suggests adding “or new or revised standards” after “interpretation”, as interpretations may not be the only way of dealing with a particular issue.
- Paragraph 7.7. The IAA suggests that this document should encourage accounting standard setters to communicate to the IASB or IFRIC any such interpretation.

Again, along with other responders to this draft, the IAA appreciates the opportunity to express our views regarding this draft Understanding and hope these comments add value to the deliberations.

**IAA Comments on the Draft Memorandum of Understanding
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Appendix

Members of the IAA's Insurance Accounting Committee

| | |
|-------------------------------------|---|
| Sam Gutterman | Chair |
| W. Paul McCrossan | Vice-chair |
| Francis Ruygt | Vice-chair |
| Clive Aaron | Institute of Actuaries of Australia |
| William Abbott | Institute of Actuaries |
| Yutaka Amino | Institute of Actuaries of Japan |
| Victor Hugo Cesar Bagnati | Instituto Brasileiro de Atuária (IBA) |
| Daniel Barron | Israel Association of Actuaries |
| Ralph Blanchard | Casualty Actuarial Society |
| Guy Castagnoli | Association Suisse des Actuaire |
| Paolo De Angelis | Istituto Italiano degli Attuari |
| Guillermo Ezcurra Lopez De La Garma | Instituto de Actuarios Españoles |
| Angie Felipe Checa | Col.legi d'Actuaris de Catalunya |
| Mark J Freedman | Society of Actuaries |
| William Hines | American Academy of Actuaries |
| Burton D Jay | Conference of Consulting Actuaries |
| Antony John Jeffery | Society of Actuaries in Ireland |
| Ad A.M. Kok | Het Actuarieel Genootschap |
| Christoph Krischanitz | Aktuarvereinigung Österreichs (AVÖ) |
| Kurt Lambrechts | Association Royale des Actuaire Belges |
| Jean-Pierre Lassus | Institut des Actuaire |
| Kristine Lomanovska | Latvijas Aktuaru Asociacija |
| W Paul McCrossan | Canadian Institute of Actuaries/Institut Canadien des Actuaire |
| Richard O'Sullivan | Society of Actuaries in Ireland |
| Markku Paakkanen | Suomen Aktuaariyhdistys |
| Venkatarama Rajagopalan | Actuarial Society of India |
| Nithiarani Rajasingham | Singapore Actuarial Society |
| Matthew Christopher Saker | Faculty of Actuaries |
| Jaanus Sibul | Eesti Aktuaaride Liit |
| Dieter Silbernagel | Deutsche Aktuarvereinigung e.V. (DAV) |
| Bjarni Thórdarson | Félag Íslenskra Tryggingastærðfræðinga |
| Tuomo Virolainen | Svenska Aktuarieföreningen |
| Peter Andrew Withey | Actuarial Society of South Africa |
| Kevin Yah | Actuarial Institute of the Republic of China |
| Jesús Zúñiga San Martin | Colegio Nacional de Actuarios A.C. |

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Appendix

Full Member Associations of the IAA

Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)
Institute of Actuaries of Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Association Royale des Actuaire Belges (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)
Hrvatsko Aktuarsko Društvo (Croatia)
Cyprus Association of Actuaries (Cyprus)
Česká Společnost Aktuárů (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaaride Liit (Estonia)
Suomen Aktuaariyhdistys (Finland)
Institut des Actuaire (France)
Deutsche Aktuarvereinigung e. V. (DAV) (Germany)
Hellenic Actuarial Society (Greece)
Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Íslenskra Tryggingastærðfræðinga (Iceland)
Actuarial Society of India (India)
Society of Actuaries in Ireland (Ireland)
Israel Association of Actuaries (Israel)
Istituto Italiano degli Attuari (Italy)
Institute of Actuaries of Japan (Japan)
Japanese Society of Certified Pension Actuaries (Japan)
Latvijas Aktuaru Asociācija (Latvia)
Lebanese Association of Actuaries (Lebanon)
Persatuan Aktuaria Malaysia (Malaysia)
Colegio Nacional de Actuarios A. C. (Mexico)
Het Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuariuszy (Poland)
Instituto dos Actuários Portugueses (Portugal)
Academia de Actuarios de Puerto Rico (Puerto Rico)
Singapore Actuarial Society (Singapore)
Slovensko Aktuarsko Društvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Col·legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
Svenska Aktuarieföreningen (Sweden)
Association Suisse des Actuaire (Switzerland)
Actuarial Institute of the Republic of China (Taipei)

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Faculty of Actuaries (United Kingdom)
Institute of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)