



EUROPEAN SAVINGS BANKS GROUP
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE
EUROPÄISCHE SPARKASSENVEREINIGUNG

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EUROPEAN SAVINGS BANKS GROUP (ESBG)

Position Paper

on

“Strengthening the IASB’s deliberative processes”

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Profile European Savings Banks Group

The European Savings Banks Group (ESBG) represents 25 bank members from 25 countries (nearly all EU countries, Norway, Iceland, Romania) representing over 1,000 individual savings banks with around 66,500 branches and nearly 770,000 employees. At the start of 2002, total assets reached almost EUR 4,160 billion, non-bank deposits were standing at over EUR 2,012 billion and non-bank loans at just under EUR 2,095 billion. Its members are retail banks that generally have a significant share in their national domestic banking markets and enjoy a common customer oriented savings banks tradition, acting in a socially responsible manner. Their market focus includes amongst others individuals, households, SMEs and local authorities.

Founded in 1963, the ESBG has established a reputation as the advocate of savings banks interests and as an active promoter of business cooperation in Europe. Since 1994, the ESBG operates together with the World Savings Banks Institute (WSBI, with 109 member banks from 92 countries) under a common structure in Brussels.



I. GENERAL COMMENTS

The European Savings Banks Group (ESBG) appreciates the opportunity afforded by the International Accounting Standards Board (IASB) to comment on the IASB's consultative review "Strengthening the IASB's deliberative processes".

The ESBG believes that it is in the best interest of all financial markets participants that the IASB's deliberative processes are open to public consultation. Moreover, the ESBG welcomes the suggested improvements in the IASB's consultative review against the background that the IASB has been facing criticism regarding the fact that due process has not always been met.

The specific comments while highlighting the positions and problems associated with the IASB's proposed improvements will endeavour to focus on those issues of particular interest for our members. Beforehand the ESBG would like to make two general comments as follows:

1) Composition of the Board

The ESBG observed that countries with an Anglo-American tradition are over-represented in the Board, which has a vital effect on standard-setting and convergence processes. The ESBG is seeking further improvements on the transparency of the election of the Board members and hopes that the composition of the Board will be more geographically balanced in the near future.

2) IFRIC interpretations

Another observation made by ESBG is that as far as IFRIC's work is concerned some interpretations are surpassing IFRIC's scope. In fact IFRIC sometimes issues amendments to standards instead of clarifications. The ESBG would be interested to see only one standard setting body i.e. the IASB and to limit IFRIC's role as an interpretative organ.

II. SPECIFIC COMMENTS

The ESBG would like to set up its comments according to the structure of the IASB's document issued at the beginning of its consultative review (24 March 2004).

1) Introduction and invitation to comment – the IASB's formal due process: background

Under item 5 the IASB intends to assemble and publish a handbook of policies and procedures related to its due process to increase the existing documentation in the IASC



Foundation Constitution and the IASB's *Preface to International Financial Reporting Standards*. Such a handbook would be subject to Trustee approval.

The ESBG supports the IASB's intention to publish the above mentioned handbook and requests explanations in the handbook e.g. in which cases does due process for projects involve all the steps mentioned under item 7 and in which cases only the steps indicated by an asterisk are taken.

2) Addressing public concerns

The ESBG acknowledges the fact that the IASB has to deal with issues of great complexity in a very limited timeframe. However, the interested parties participating in the consultations are exposed to the same constraints and therefore the comment period of three months is too short taking into consideration facts e.g. complexity of the standards, time of publications at the start of holidays etc. If the comment period is accordingly expanded this would significantly improve the quality of the comments received by the IASB.

As the IASB has to deal with issues, which have a great impact on economic, legal and practical market aspects, the ESBG is surprised that decisions of such importance are taken by simple majority voting. In this regard, a qualified majority voting would be less contentious and would strengthen the IASB's position. This stronger consensus in the Board would ensure the credibility of new exposure drafts and the issuance of standards of the highest quality. (Limited) amendments to standards, which have just been revised, finalised and published within a short period of some months would then barely be the case.

3) Accessibility and transparency of the IASB's deliberative process

As the IASB meetings are mainly open to public, the ESBG welcomes the publication of agendas and observer notes. As the final posting of these documents seems only possible at a very late point of time (i.e. near to the IASB meeting itself), the ESBG proposes to publish preliminary documents already at an earlier point of time or to supply observers with the same information as Board members.

In line with the demand for more transparency in the preparatory documents for the IASB meetings, the ESBG thinks that the process of setting IASB's priorities and yearly timetable is not transparent enough (e.g. latest update of IASB's timetable on website on 1



March 2004). Clear priorities combined with an updated timetable and greater access to background documents would encourage more constructive and in-depth discussions.

4) Access to IASB discussions – Availability of IASB documents

The ESBG welcomes the proposals and if implemented in a systematic way will enormously enhance the IASB's due process.

5) Publication of comment letters

The ESBG welcomes the "real time" access to comment letters.

6) Response to comment letters

Taking actively part in many consultations, the ESBG encourages the IASB to post a summary document after the end of the consultation period on the IASB's website to inform interested parties of the outcome of the consultation. The institutions participating in the consultation would be therefore informed of the reasons why IASB takes certain arguments on board and disregards others. Such a feedback statement is essential for an ongoing discussion process; otherwise the IASB risks to be confronted with inappropriate misjudgements.

7) Publication on the IASB's Website of latest proposals for new standards

The ESBG considers how to make the drafting process more transparent to the general public as one of the most important steps in strengthening the IASB's formal due processes. The proposed improvements of "experiment of two-column format", "near final drafts" and "use of existing advisory groups" are therefore very much appreciated. However, the ESBG would like to state that comprehensive explanations in the Basis for Conclusions would facilitate the reading and understanding.

8) Use of steering committees/working parties/advisory groups

The ESBG misses a clear determination, mandate and objectives of these forums and would like to have their formation procedures and realisation of conclusions clarified further than given in the short descriptions in the items 23 and 24 of the consultative review document (24 March 2004); these items deal mainly with advisory groups and shortly with working parties. As these forums are not transparent enough, the wrong conclusion might be easily drawn that the IASB is developing IFRS on its own without having tested and evaluated their practical impacts because it is not known where and how practitioners are involved in the discussions with the IASB.



In this context the ESBG would like to express its observation that the views and comments of practitioners on items of importance e.g. IAS 39 seem not to be considered enough by the IASB.

9) Public hearings and field-testing

According to item 7 of the IASB's consultation document, public hearings and field-testing are part of due process for projects. However, these steps do not have to be made for every project. The ESBG understands the related time and cost constraints, but nevertheless believes that a broad guideline regarding when and which formal steps have to be taken would be very helpful (e.g. in the envisaged handbook of policies and procedures).

10) Discussion Papers

The ESBG supports the issuance of discussion papers as they ease the whole drafting process and make changes from the discussion paper to the final standard more easily traceable.

11) Re-exposure of proposals

The grounds and criteria for re-exposure of proposals as mentioned in item 32 should be further specified and added to the intended handbook on IASB's policies and procedures.

Finally, the ESBG would like to emphasize its high appreciation for the opportunity to comment on the IASB's deliberative processes.