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23 June 2004

Andrea Pryde  
IASB  
30 Cannon Street  
London  
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By email to: [CommentLetters@iasb.org.uk](mailto:CommentLetters@iasb.org.uk)

Dear Ms Pryde,

### **Strengthening the IASB's Deliberative Processes**

I am writing on behalf of LIBA (the London Investment Banking Association) to comment on the IASB paper "Strengthening the IASB's Deliberative Processes", which was published on 24 March. LIBA is, as you may know, the principal UK trade association for investment banks and securities houses; a full list of our members is attached. We have closely followed the IASB's substantial work programme over the past three years and have commented on many of the Exposure Drafts produced in that period, as well as on related documents produced by bodies such as EFRAG and the UK ASB.

We welcome the opportunity to comment on this latest paper on how the IASB might improve its working methods. The timing of this paper is particularly appropriate as it coincides with the end of a period when both the IASB's priorities and its modus operandi have inevitably been influenced by the requirements of the IAS Regulation. With the Directive-related work now very largely completed, there is an excellent opportunity to consider what, if any, changes are appropriate to reflect what may well now be a rather different operating environment.

We believe the changes proposed in this paper will help to improve the transparency of the IASB's deliberative processes and we are therefore very supportive of the ideas put forward. We are particularly pleased to see that several of the changes suggested in our 11 February letter on the IASB Foundation Constitution Review, including the webcasting of Board meetings and the advance publication of more comprehensive Observer Notes, have already been implemented.

We have a few specific comments on these latest proposals:

- While it is essential that the IASB continues to work closely with other accounting standard-setters and regulatory bodies, this must not be allowed to compromise the integrity of the IASB's deliberative processes.

- We strongly support the proposal in paragraph 20 that near-final drafts will in future be posted on the website, provided that a reasonable period – say an absolute minimum of two weeks – is allowed for feedback.
- You set out in paragraphs 19-20 the reasoning behind your present policy on the transparency of the drafting process, but it is important not to underestimate the difficulty of translating a set of Board decisions into clear and unambiguous wording which precisely implements those decisions into the wording of a final Standard, particularly in a technically highly complex area such as financial instruments. In such cases we believe it would be useful to have a review by relevant experts before the “fatal flaw” stage is reached, providing it is understood that such a review would be looking only for drafting improvements, and that representations that seek to “re-deliberate technical issues already decided” would not be considered.

We note the intention (paragraph 20, third bullet) to use “existing advisory” or “appropriate expert” groups to help identify “fatal flaws” or other drafting issues that arise in the late stages of producing a Standard, but we are concerned that the members of these groups are typically not those with direct hands-on experience of day-to-day accounting issues, and that they may not always recognise all the practical problems which can arise. We recommend that, when dealing with very complex topics, you consider additional ways of involving those with directly relevant practical experience either at, or shortly before, the fatal flaw stage. This could for example include trade associations such as LIBA, who can get quick feedback from a wide group of practitioners, and thus increase the chances of identifying otherwise unforeseen practical problems.

- Paragraphs 25-26 make passing reference to the use of field-testing, but the implication is that this is not under serious consideration. As indicated in our 11 February letter, we believe field testing across a range of preparers and users can play a very useful role (complementary to the roles played by public hearings and field visits) in dealing with the more complex proposals, and we would like to see this used as a regular part of the process of developing Standards .

In conclusion, we strongly support the IASB’s constructive approach to improving its deliberative procedures, we encourage the retention of a degree of flexibility in applying these procedures to the different practical situations which will inevitably arise, and suggest that their appropriateness should continue to be reviewed as the environment changes.

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I hope that the above comments are helpful. We would of course be very pleased to expand on any particular points if there are aspects which you find unclear, or where you would like further details of our views.

Yours sincerely

Ian Harrison

**Ian Harrison**  
**Director**

## **LONDON INVESTMENT BANKING ASSOCIATION**

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