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AF AKTIENFORUM
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Dear Sir,

In March 2004, IASB launched a consultation on the strengthening of its deliberative processes while dealing specifically with its consultation processes, monitoring of comments communicated to IASB and Board decisions as well as the transparency of its deliberation process.

Companies are aware of IASB's constructive approach that offers developments in its mode of operation towards greater transparency, thus contributing to an improvement in conditions for the development of future standards. Proposals are being made in this sense in response to the consultation.

However, companies wish to emphasise that the IASB's approach should fit into a wider reform leading to a reconsideration of the composition of the different IASC Foundation authorities (IASB, IFRIC, etc.) and reinforcing their 'due process'.

Extend the IASB field of reform:

As regards the Board and in compliance with the position of several European associations of companies (enclosed response to the IASC Foundation - February 2004), special attention should be paid to the following orientations:

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- *Selection and composition*

It is essential for the Board to be selected according to a more transparent process ('open selection process') and for its composition to reflect the geographical situation of companies using IAS / IFRS, while part of the Board should have predominant experience within companies.

Thus:

- . A large majority of members should come from countries or 'regions' whose companies must apply IAS/IFRS ;
- . Parity should be ensured between people with their greatest professional experience within companies and those coming from external audit ;

These principles should also be applied to the composition of the consultative committees that IASB is to implement.

- *Voting rules*

AFEP would like a strengthening of majority rules for the publication of definitive documents (standards and interpretations, public consultations), accounting for 2/3 of the Board members (compared with a minimum of 8 out of 14 at present).

- *Working programme / development and application schedules*

It should be emphasized that hurrying in the development of standards is often prejudicial to quality and to proper implementation and control of their application. Moreover application difficulties arise from the frequent modification of the IASB work programme or revision of its standards, in particular when changes are proposed soon after their adoption by the Board. It is essential for companies to use a stable set of standards and to be able to anticipate any change that may prove useful.

Therefore, before drawing up a working programme, the envisaged orientations should form the subject of a discussion between IASB and the countries or regions applying IAS/IFRS, notably the European Union. The draft programmes and the working schedule should be submitted to a broad public consultation, which make it possible to establish and hierarchically classify 'work priorities' and to adopt realistic deadlines. Also, a minimum period of 2 full years should generally separate dates of adoption from dates of application (with no retrospective application required).

- *'Due process'*

It is important for IASB to supply exact time frames giving companies a large degree of transparency on the development of draft standards :

- . each project should be accompanied by the publication of two public consultations of which one deals with principles; these should be validated before the continuation of work ;
- . the response time frames for the consultations should be sufficiently long and at least 6 months for complex projects.

- *Feedback*

For the standards that have entered into force, it is necessary for IASB to implement periodic efficiency tests that measure how they are applied from the viewpoint of their initial goals.

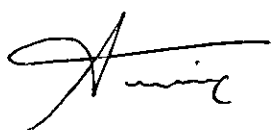
Finally, AFEP considers that (apart from the strategy and working procedures), IASB 'due process' should explicitly form the subject of a specific and regular review by Trustees as well as their approval within the framework of a genuine 'oversight board' or 'supervisory body'.

Complete the consultation proposals

As regards the response to the IASB consultation, the proposals made by AFEP meet the following goals :

- Take account in the selection of the major points published and summarised by the Board of the *representativeness* of the positions developed: thus, the response from a physical person cannot be considered as equivalent to that provided by an organisation with many members; moreover, this selection of comments may lead to subsequent exchanges and responses within the framework of a genuine *consultation* ;
- in this context, make a clear distinction between questions of *principle* from questions of *application* ;
- for each draft project, establish *consultative committees including notably companies or organisations representing companies* ;
- use *several modes of consultation*, notably field tests among companies and more frequent and systematic public hearings for major complex projects.

We remain at your disposal for all comments on these different points and thank you for the attention that you will give to these positions.



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DETAILED RESPONSES TO THE IASB CONSULTATION

Preliminary comments

Major consultations and exact schedules should be proposed by IASB

In view of both the necessity to provide comparative information and implications for the information system, companies require great visibility on standards development and application time frames.

Companies believe it is important for each project to be accompanied by the publication of two public consultations including one on principles, subject to validation before the continuation of work. They also consider that the time frames for responding to consultations should be sufficiently long and at least 6 months for complex projects (compared with 3 to 4 months at present).

Moreover, companies consider that to allow a prospective application for the purposes of comparative information, a minimum period of two full years should be planned between the date of application and the dates of application of standards.

Finally, this period would make it possible to take greater account of conditions of application of standards in the European Union (process of adoption, translation and publication).

The accepted standards should form the subject of periodic 'efficiency tests'

In the context of the proposals made by IASB, companies note that no point on the stage is envisaged for confronting standards with their application to reality. Yet, it is essential for companies to be able to tell IASB of so many domains that do not have particular application difficulties as well as those that create implementation difficulties.

It is necessary for IASB to measure how standards are applied with regard to their initial goals during the application phase. To this end, companies recommend establishing field proving, following the example of field tests, thus allowing IASB to test the application of the envisaged solutions among the various players.

Comments on the IASB proposals

Accessibility and transparency of the IASB's deliberative process (§ 10 to 14)

Companies approve the principle of broadened dissemination through electronic means (§11)

In order to improve access to its meetings, IASB has decided to place all observer notes online prior to meetings, to disseminate its meetings and finally to post the IASB deliberations on its website.

AFEF is in favour of wider communication at all the stages of drawing up standards, both before and after consultations.

By allowing more rapid publication of its working documents, more regular use of the Internet by IASB promotes exchanges of views and should contribute to establishing solid bases for reflection.

Companies are in favour of periodic publication of online comments received (§14)

During the comment period ('exposure drafts'), IASB undertakes to place letters received on its website, on a weekly basis.

Companies are in favour of this online publication which fulfils their concern to be informed upstream as much as possible of the reflections undertaken.

IASB's responsiveness to constituents' comments (§ 15 to 20)

The major points retained by the Board should be representative and make a distinction between questions of principle and application (§17)

IASB plans to place a summary of the Board position on major points raised in the comment letters online.

Companies consider that the selection of comments should take account of the most representative positions and possibly lead to subsequent exchanges and responses.

It is essential that this selection takes account of the relative weight of each of the responses. This selection should not only be done on the basis of positions developed, but also in accordance with the representativeness of these positions. The response from a physical person cannot be equivalent to that given by an organisation representing many members.

In advance of the putting online of the major selected points, IASB should make a clear distinction between problems of principle from those of application (the latter highlight the difficulties linked to the application of principles).

Companies wish to have a definition of near-final projects (§20, paragraph 3)

IASB envisages putting near-final exposure drafts or standards on its site.

Yet, the preliminary features leading to this stage and its modalities are not specified. Thus, the interested parties risk discovering some reflections at an advanced stage without having been able to contribute to these.

It is therefore important for companies that the concept of a near final draft be specified by IASB and that their date of publication be stated well in advance in the development schedule of a project.

The extent of consultation before releasing proposals and standards (§ 21 to 32)

Companies want consultation procedures to be defined more concretely (§ 23 to 32)

IASB intends to use advisory groups more often, public hearings and discussion papers.

Companies are in favour of the open consultation procedures announced by IASB. Nonetheless, it is necessary for these proposals to be more concrete in order to respond exactly and operationally to companies' needs.

To this end, it is desirable for IASB to provide clarifications on the modalities for implementing each type of consultation (time frame, appointment of the consultative committees, dissemination of information, etc.).

. Concerning the Advisory groups (§24)

IASB intends to make regular use of these expert groups on key subjects and 'if deemed necessary'.

Considering that the IASB improvement of due process notably implies the reinforcement of cooperation mechanisms as well as the use of several modes of consultation, AFEP believes that the use of consultative committees, notably including companies or organisations representing companies, should be envisaged for each draft standard, neither limited to key topics nor decided unilaterally by IASB.

As indicated in the introduction, these committees should be made up predominantly of a majority of members who originate from countries or regions whose companies must apply IAS/IFRS, with parity ensured between people who have their greatest professional experience within companies and those who come from the external audit sector.

. Concerning the public hearings and field tests (§ 25)

IASB wishes to develop the use of public hearings, field visits, and where appropriate, application tests among companies (field tests).

For its part, AFEP considers that the use of field tests among companies and public hearings should become more frequent and be systematic for major complex projects.

. Concerning the discussion papers (§ 27)

IASB has announced its intention to make greater use of preliminary consultations ('discussion papers') for complex subjects alone, identified on a case by case basis.

In order to be able to contribute upstream to the current reflection, AFEP considers for its part that *each* draft standard should lead to the publication of two public consultations, including one relating to principles. Moreover these should be subject to validation before continuation of work.