

Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street

London EC4M 6XH
United Kingdom

Düsseldorf, July 29, 2005
511/520

Dear Sir David

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

We appreciate the opportunity to comment on the Draft Memorandum of Understanding mentioned above and would like to submit our comments as follows:

The Draft Memorandum relates to the general understanding between the IASB and other accounting standard-setters. The term "accounting standard-setter" usually means privately organised standard setting bodies. Since, in our view, the Draft Memorandum also covers the relationships with parliaments, governments and supranational institutions responsible for accounting requirements, the paper should include an appropriately broad definition of the term "standard setter".

Furthermore, the intended meaning of "regional regulators" in paragraph 2.4 is unclear and should be explained. Should the Draft Memorandum intend the EU to constitute a regional regulator, we are of the opinion that not only the national accounting standard-setters but also the IASB should have the task of encouraging regional regulators to participate in those international convergence efforts as this would help to facilitate financial reporting convergence.

We welcome the IASB initiative to facilitate communication between other accounting standard-setters by setting up a database of issues reported by accounting standard-setters or others, as stated in paragraph 3.7. However, in our opinion implementing

such a database should not replace other activities fostering the communication between accounting standard-setters such as, for instance, the world standard-setters meeting.

In our view, it is unnecessary to state that a national or regional standard-setter “is not prevented from” carrying out research or developing thinking on a topic that has not currently been identified by other standard setters as a current priority as explicitly stated in paragraph 4.3. This choice of wording is unfortunate and could be open to misunderstanding.

Pursuant to paragraphs 4.7 (b) and 4.1 (b) any involvement of national or regional standard-setters in a project team should be under the direction of IASB and/or FASB staff. Firstly, in our view a project team should not be directed by the staff but led by the staff as stated in footnote 6, as each accounting standard-setter should be able to contribute to an IASB project and not just receive direction from the staff. Secondly, in addition to the IASB staff the staff of other accounting standard-setters should be specifically mentioned. As we stated in our comment letter on the Review of the Constitution dated February 25, the IASB should not concentrate on its relationship with the FASB since there is a risk that this relationship and the inherent geographical interests will become dominant. Therefore, in our opinion, it is essential that the IASB maintain active relationships with other accounting standard-setters.

We disagree with the assertion put forward in paragraph 5.1. The IASB states, in paragraph 5.1, that the views of national or regional standard-setters can be a valuable source of independent thought to complement the comments of those who have financial interest in the outcome of a project. The IASB should consider that also academics and professional bodies, for instance, comment on IFRS, but do not have a financial interest in the outcome of a project. Therefore, we like to suggest that paragraph 5.1 be amended to read as follows: “The views of national or regional standard-setters can be a valuable source of independent thought to complement the comments of specific interest groups.”

We welcome the fact that, according to paragraph 7.7, a national accounting standard setter should issue its own interpretation, if an issue in a particular jurisdiction does not have broad relevance and the IFRIC or the IASB decides not to deal with this issue. According to the IASCF Consultation Paper “Review of IFRIC Operations” it should be clarified that a national standard setter can develop interpretations on matters of domestic importance. In our view, the wording of the two documents should be harmonised in this respect and domestic issues should be defined as specific national circumstances, in particular specific legal requirements.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely

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