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Sir David Tweedie
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

1 July 2004

Dear Sir David

STRENGTHENING THE IASB'S DELIBERATIVE PROCESS

PricewaterhouseCoopers welcomes the opportunity to participate in this consultation on the due process of the International Accounting Standards Board (IASB). This response is submitted on behalf of the PricewaterhouseCoopers network of firms worldwide.

The Board's review of its due process is taking place concurrently with the Constitutional Review being conducted by the IASC Foundation. We have already commented on general matters related to IASB's due process in the context of our response to the November 2003 consultation document issued by the Constitution Committee. We enclose a copy of that document for your reference. We also gave evidence at the public hearing on the Constitutional Review on 3 June.

Enhancing the transparency of due process

We welcome IASB's intention to publish a handbook setting out the steps of its due process. This will aid transparency and should allow stakeholders to better understand the workings of the Board.

Further, we welcome many of the initiatives that the Board has indicated in the consultation paper that it will implement. These include in particular the proposals for:

- Greater public access to information on the Board's activities
- Consideration on a case by case basis of issuing a discussion paper, prior to preparing an exposure draft
- Use of advisory groups, particularly in areas where the IASB lacks specific expertise
- More frequent use of field visits and of field-testing.

While welcoming these proposals, we believe the Board should also consider more widely its attentiveness and responsiveness to different viewpoints. This is a general matter of public perception that goes beyond the detailed steps of due process. We recognise the IASB should give strong leadership – but in order to do this and carry support it needs to show that it listens to all its constituencies.

We comment below on specific aspects of the Board's proposals. We also comment in this letter on other matters we believe important to IASB's due process and the wide acceptance of its standards.

Board papers

The Board's intention to provide more comprehensive observer notes, incorporating background examples and illustrations and staff recommendations, will provide users with a greater insight into the Board's deliberations. However, it would seem to be simpler and more transparent to make public the Board papers, rather than expend additional effort on creating a different version of the material for inclusion in the observer notes.

Workload planning and lead times

The issuance by IASB of the new "stable platform" standards needed for 2005 is to be congratulated. While understanding the reasons for issuing these pronouncements concurrently, our experience is that this did create a significant task for preparers, users, and others in keeping track of and commenting on all the proposals.

The Board should review workload planning and the impact on lead times, with the aim of avoiding undue "congestion" for users in relation to commenting on proposals and implementing new standards. Outputs should be "staggered" so that – unless projects are clearly connected – groups of pronouncements are not all released for comment, or implementation, at the same time.

Comment periods and tracking the changes

In relation to new projects the Board should review in each case the timescale and comment periods needed to obtain informed and considered input. These may vary depending on whether the topic is new or controversial.

A specific proposal in the consultation paper is that the Board will make available near-final drafts of forthcoming exposure drafts on its website before they are approved by the Board for publication. We support this, but the policy needs to be introduced with care, to ensure users are not misled as to the status of a particular document. Consideration could also be given to making the final standards available in a marked-up version, so that those following the development of the standards can identify the changes more easily.

Practicality of IFRSs and consultation with constituents

Some commentators have suggested that the standards can lack practicality. To address this concern, the Board should consider every avenue available to it to take account of constituents' views on the practical aspects of implementation.

We therefore welcome the Board's intention to make greater use of steering committees and advisory groups. This should enable the Board to encourage a wider dialogue (particularly in relation to the practical aspects of implementation and potential solutions) in developing its standards. The Board should also consult more extensively with the Standards Advisory Council, which includes members with wide experience of accounting in different industries.

Involvement of national standard setters

In preparing its handbook of due process, the Board should also consider how liaison with national standard setters could better contribute to each step of the deliberative process. National standard setters are close to their markets and have well-established mechanisms for dialogue in their respective countries. These relationships should be used to "flush out" local concerns about the practicality of specific proposals and help identify solutions.

Our experience is that practical problems sometimes only surface when standards are translated for local use, so it is essential that standard setters from non-English speaking countries are engaged at an early stage in the development of pronouncements.

In our comments to the Constitution Committee we suggested that all Board members should be better identified with specific constituencies. This would help reassure constituents that Board members come to the IASB table with an understanding of the issues faced by different constituencies.

We also comment below on two matters that are not touched on in the consultation paper, but that we consider are relevant to IASB's due process.

Working with FASB

We are aware of the intention to have joint project teams of the IASB and FASB going forward. This is a welcome development – we believe that convergence around global standards needs to be the ultimate goal.

We understand the joint project teams will report the output of their work to each of the two boards. Although it is not intended to have decision-making on new standards by means of a "merged" Board, we believe that the relationship with FASB will change perceptions about the due process of the Board.

For standards to carry widespread support, there needs to be a genuine tension between views from different parts of the world. There should therefore be no relaxation of the IASB's due process in relation to a particular proposal in circumstances where, for example, FASB has already approved a project. The standard should still be considered by IASB on its own merits.

We encourage the Board in its new handbook to indicate how the due process will operate in relation to joint projects, and to reflect on whether any additional safeguards are needed to satisfy public perceptions.

Voting procedures

The Board's procedures to vote on new pronouncements are an important part of its due process. A suggestion in the 'Options' paper published by the Constitution Committee was to increase the voting majority of the Board needed to issue a new ED, IFRS or IFRIC Interpretation (currently 8 of 14 members must vote in favour – the Committee is considering changing this to a super-majority of 9 of 14 members).

We see no compelling reason to change the voting majority. Arguably, a super-majority arrangement is more likely to entrench the views of an individual member opposed to the majority view. The handbook should also address the voting arrangements.

We would be happy to discuss our comments with you. If you have any questions regarding this letter, please contact Jochen Pape (+49 211 981 2905) or Ian D Wright (+44 20 7804 3300).

Yours faithfully

PricewaterhouseCoopers