

FER

Fachkommission für Empfehlungen zur Rechnungslegung
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Foundation for financial reporting standards

CL 5

Comment of Swiss GAAP FER on:

Draft Memorandum of Understanding (MoU) on the role of accounting standard setters and their relationship with the IASB

February 2005, Comments to be received by 29 July 2005

Mr. Warren McGregor
IASB, 30 Cannon Street, London EC4M

Transmitted by email to commentletters@iasb.org

Dear Mr. McGregor

We are happy to be given the opportunity to comment on the draft mentioned above.

The board of Swiss GAAP FER appreciates the “Memorandum of Understanding” (MoU) on the role of accounting standard setters and their relationship with the IASB. But we think it is important for EFRAG to play a strategic role in the future standard setting process. We are referring to the informal EFRAG framework “Proactive Accounting Activities in Europe”, posted on EFRAG’s website on June 27. Swiss GAAP FER supports the policy described in the paper: However, it would be far easier for the IASB and the IFRIC if Europe could deal with major issues with one voice. With pooled resources it would be easier to give input to the IASB at an early stage. This would mean fewer resources on both sides, a more substantiated basis for conclusions on the European side, and maybe broader satisfaction with a new standard.

We generally think that the MoU has to be balanced with regard to the duties and benefits of the accounting standard setters and the IASB, e.g. concerning communication on both sides.

1 Background – no comment

2 Working with regulators – no comment

3 Communication/

Constituents – feedback, paragraphs 3.3 to 3.6

Swiss GAAP FER welcomes the IASB's plans to promote round table discussions to outline thoughts on an issued discussion paper or forums even before a paper is distributed.

- We do not think that the verbal dialogue and the comment letters can be ranked as more or less suitable.
- It seems important to us that the open dialogue should start at a very early stage in the standard setting process, when no tentative decisions have yet been made.
- This means that round tables should begin before discussion papers are issued.

If this procedure were to be adopted, it would perhaps be possible to get a better consensus on the main issues when a draft is published.

If standard setters have a common problem, it is fitting that they formulate a joint proposal for consideration by the IASB or the IFRIC. EFRAG is a suitable institution for this purpose. CESR and IOSCO will build and maintain databases of issues reported by security regulators. We do not feel that this is a role for the IASB, which has to remain an independent institution. If such a database were to be maintained by the IASB, this would undermine other databases.

Work programme, paragraphs, 3.22

In order to enable accounting standard setters to make the IASB aware of technical differences of opinion at an early stage of a project, communication should start when different approaches to a problem are sketched out but no tentative decisions have been made. We agree that this important goal and others can be reached by involving standard setters at an early stage, e.g. by inviting members of accounting standard setters to join IASB working groups. A more efficient procedure would be to bring European standard setters together in an EFRAG coordinating group.

4 Project role – no comment

5 Role of comments on IASB consultative documents

Comment letters on drafts of the IASB and the IFRIC are important. But we would like to see the IASB formalise its procedures for dealing with the comments made. How does the IASB deal with a majority of views that are contradictory to the proposals of the IASB or the IFRIC? How does the IASB assess different opinions? How does the IASB weight the comments made by different institutions, e.g. a smaller company versus a liaison standard setter?

6 Application of standards – no comment

7 Interpretation, paragraphs 7.4 to 7.7

Swiss GAAP FER agrees that accounting standard setters and security regulators should monitor the implementation of IFRS in their jurisdictions, identify issues that might require interpretation, and request the IFRIC or the IASB to address the issue. But we are strictly against a procedure where security regulators (or standard setters) are allowed to issue their own interpretations, even if it concerns issues that have no broad relevance and the IFRIC or the IASB have decided not to deal with. If the IFRIC and the IASB allow accounting standard

setters to issue their own interpretations, the uniform application of IFRS will be compromised and worldwide enforcement no longer possible.

8 Education – no comment

If you would like further clarification of any of the points raised in this letter, we would be happy to discuss these further with you.

Yours sincerely
Evelyn Teitler
Board Member of Swiss GAAP FER