



FEDERATION
BANCAIRE
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The Deputy Director General

Monday, June 28th 2004

FBF response to the consultation paper "Strengthening the IASB's deliberative processes"

Dear Mrs Pryde,

The French Banking Federation is pleased to have the opportunity to comment on the consultation paper issued by the IASB its due process.

The lack of transparency in the IASB's consultative process was one of the two major concerns that we expressed in our response of February 11th, 2004 to the consultative document "Identifying Issues for the IASC Foundation Constitution Review" published by the IASC Foundation in November 2003.

We therefore welcome the initiative taken by the IASB to make proposals in order to improve its due process, and support those proposals that are aimed at bringing more transparency in the standard-setting field. We particularly appreciate the attention paid to the accessibility to IASB discussions and documents, such as the posting of all observer's notes on IASB's Website in advance of the monthly meeting, the publication of comment letters as soon as they are received, or the availability of near-final drafts to be discussed prior to the publication of exposure-drafts. We believe that all these provisions will help preventing major conceptual flaws in the future standards, provided they are combined with discussions with experts or professional associations.

Nevertheless, we believe that the Board has not gone far enough in enhancing its consultation process, at least on two aspects:

- the IASC Foundation constitution should require from the IASB an assessment of the practicability and economic impact of the standards it develops. It should be enshrined as well in the handbook of policies and procedures that the IASB intends to publish that the field tests and public hearings are required for each project.
- the IASC Foundation should review and approve the agenda and due process of the IASB in co-ordination with the SAC. We support the amendment proposed by the IASCF on that point on paragraphs 16-c and f and suggest paragraph 32-c of the Constitution be modified in order to ensure consistency.

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Moreover, we regret that the scope of this consultative paper was limited to the strengthening of the IASB' consultative process, and would like to draw your attention again on the other major issue that we expressed in our comment letter in February and that we consider to have been only partially, if at all, addressed: the better representativeness of the members of the Board.

This implies first an increased involvement of countries that have already endorsed or that have formally planned to endorse in a near future the International Accounting Standards (countries with an Anglo-American tradition are currently over-represented). In this way, we recommend that criteria be enshrined in the Constitution in order to insure that, in practice, a geographical balance of Board members is effective, as it is the objective stated in Article 21 of the IASCF Constitution : the Trustees "shall ensure that the IASB is not dominated by any particular constituency or geographical interest". We are convinced that a balanced Board will also promote wide acceptance of the adopted standards by their users. The present Board cannot be considered as "balanced" in this respect.

Second, we consider it of major importance that a balanced distribution of professional backgrounds be set out in the Constitution, provided it is connected with at least one of the following two other criteria: expertise and recent practical experience. On the latter point, we welcome the decision taken by the IASCF to modify its Constitution in this line. On the former, we would like to disapprove again of the preponderance of members having an auditing background to the detriment of those having a preparer and/or user background.

We remain at your disposal for further discussions or explanations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Pierre de Lauzun', with a stylized, flowing script.

Pierre de Lauzun