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The Netherlands.

Amsterdam, 20-06-2004.

Ref.: Strengthening the IASB's
deliberative processes.

Dear Sirs,

In reply to your request for comments on your improvement proposals dated 24 March 2004 we would like to seize this opportunity to give our reaction on this paper.

In general terms we would like to commend the Board with the proposals it has made which meet with the major part of the criticism made by the outside world on the present weaknesses of the Board's deliberative processes.

Nevertheless we would like to make some observations which express some of the concerns of preparers which have not been fully addressed by the proposals. Our concerns are related to the following issues:

1) Comment periods

It is felt that in comment periods are often too short for a thorough analysis and discussion of proposals/draft standards and the preparation of comment letters.

2) Responsiveness to constituents' comments.

Since the Board has started its activities in its present composition it has happened on a few occasions, that the Board, even after having received from preparers strong opposition to a certain proposal, nevertheless went ahead with such proposal ignoring in this way an overwhelmingly negative reaction expressed by an important constituency. We think this persistence may undermine the authority of such proposals which should as a rule have broad support of all of its major constituencies. We would therefore recommend the Board to adopt a procedure which would prevent it to adopt a certain proposal against the views expressed by a qualified majority of users, preparers or controllers.

3) The extent of consultation before releasing proposals and standards.

On the subject of public hearings and field- testing we notice with satisfaction that the Board has acknowledged the usefulness of the field visits and that their results have, each time that they were made, significantly influenced its decisions. For this reason we propose that public hearings, field visits and field tests will from now onwards become a standard feature of the due processes adopted by the Board. As a consequence we recommend to eliminate, in paragraph 26, that part of the last sentence which only expresses the **likelihood** that public hearings and field visits **will become a more common feature** of its work. In stead this paragraph should be more

prescriptive in the sense that for every new standard the carrying out of field visits, respectively field-tests will be part of the normal due process.

4) **Modification of existing standards .**

We are of the opinion that it is confusing and a careless way of standard setting if the Board, very shortly after issuing a certain standard, introduces changes to such standard. This phenomenon has occurred a number of times and is still occurring, for instance in the case of IAS 39. We have full understanding for the Board's difficult position with respect to the standard setting of a difficult matter such as the recognition and measurement of Financial Instruments. We are, however, of the opinion that a thorough due process will prevent such need for modifications one after the other in a relatively short period. The Board should be aware that it is very costly and cumbersome for preparers to change their systems all the time and that preparers may expect from the Board that it only issues standards after having seriously considered its full implications.

We hope that our comments may contribute to your deliberations .

We remain,

Yours sincerely,

Willem van der Loos

Amsterdam, 20-06-2004.