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НАЦИОНАЛЬНАЯ ОРГАНИЗАЦИЯ ПО СТАНДАРТАМ  
ФИНАНСОВОГО УЧЕТА И ОТЧЕТНОСТИ

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*By e-mail: commentletters@iasb.org*

July 22, 2005

Mr. Warren McGregor  
Board Member  
International Accounting Standards Board  
30 Cannon Street, London EC4M 6XH, United Kingdom

Dear Mr. McGregor,

We are writing to comment on the Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB (hereinafter, “the Draft”).

Section 3 Communication

We would propose to add a new point after point 3.8 of the Draft:

“Different jurisdictions frequently encounter similar legal and regulatory issues relating to transition to IFRS, for example the payment of dividends out of accounting profit, balance-sheet test for solvency purposes and taxation. Standard setters in the jurisdictions that already permit or require application of IFRS for annual accounts have developed detailed research papers on such issues for their governments. Discussion of these issues at national standard setters meetings and in correspondence between particular standard setters is insufficient, as accessibility of relevant data remains limited, single source of obtaining such data does not exist, and the data is not classified by the type of issues. Moreover, the need for such information is greatest in the countries that are just beginning to consider transition to IFRS and thus have limited number of direct contacts with national standard setters of the jurisdictions more advanced in accounting sense. The IASB should facilitate communication by maintaining a database of legal and regulatory issues of IFRS transition that standard-setters discuss with their governments. National standard setters should identify IFRS transition issues that may be applicable to other jurisdictions, arrange translation of relevant research papers into English, and make them available to other standard setters through IASB database.”

With respect to the same issue, a new point can be added after point 3.22:

“The IASB should maintain an up-to-date database of legal and regulatory issues encountered by national standard-setters in transition to IFRS. National and regional standard-setters should identify research papers and other materials on such issues that may be applicable in other jurisdiction, arrange their translation into English and contribute them to the database on a regular basis.”

#### Section 4 Project role

In accordance with the Draft, IASB develops the standards, but is not responsible for their implementation, whereas national standard-setters do not develop the standards, but are responsible for their implementation. This contradiction may be resolved by active involvement of national bodies in IASB standard-setting work. The draft envisages such participation (points 4.1 – 4.2 and 4.7 – 4.8) through direct involvement in research projects or project teams. One of our constituents expressed a view that such participation may not be sufficient to protect national interests, and it could be useful to consider mandatory involvement of national standard-setters in IASB standard-setting process, as incorporation of certain provisions of IFRS to national regulatory framework may conceivably be impossible or undesirable for various reasons.

The Draft provides that only IASB and FASB staff can lead project teams (point 4.1.b). Involvement of FASB is indeed critical for the convergence process, and such joint projects should be performed under the direction of IASB and/or FASB staff. However, other countries should also be actively involved in IASB standard-setting process. Granting FASB staff an exclusive right to lead IASB project teams appears unfair from a political perspective.

#### Section 6 Application of standards

As noted by one of our constituents, the Draft does not envisage a situation where a particular IFRS requirement contradicts national law in such a way that, despite all efforts of a national standard-setter, its application may not be possible without an adjustment of the IFRS requirement (such situations may occur at the beginning stage of transition to IFRS). Should a country in this case partially introduce the standard, which essentially means an adjustment of IFRS requirements prohibited by this Draft, or reject endorsement of the whole standard? Should IASB revise the standard in this situation? This issue has already been encountered during the endorsement of IAS 32 and 39 in the EU.

#### Other Comments

Point 4.9 provides that national standard-setters should promote the role of a working group member in their jurisdictions. The Draft does not make it clear which groups are referred to. We would propose to specify that the point is about IASB working groups.

Some of the references to the Draft from the Appendix have not been adjusted. For instance, reference is made to point 3.16 of the Draft instead of 3.15. The same applies to references to 3.17 (3.16), 3.18 (3.17), 3.19 (3.18), 3.20 (3.19), 3.21 (3.20), 3.22 (3.21), 3.23 (3.22), 8.6 (8.5), 8.7 (8.6).

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

Mikhail Kiselev  
Deputy Chairman of the Board