

Mr Warren McGregor
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

29 July 2005

CL 40

Dear Sir,

**DRAFT MEMORANDUM OF UNDERSTANDING ON THE ROLE OF
ACCOUNTING STANDARD-SETTERS AND THEIR RELATIONSHIPS WITH
THE IASB**

PricewaterhouseCoopers welcomes the opportunity to participate in this consultation on the proposed Memorandum of Understanding (MoU) between national standards-setters and the International Accounting Standards Board (IASB). This response is submitted on behalf of the PricewaterhouseCoopers network of firms worldwide.

As noted in our responses to previous related consultations by the IASC Foundation and IASB, the Board's liaison relationships with national standard-setters are critical to the development and acceptance of IFRS standards. They provide not only a way to help resource and contribute to projects, but an important conduit to communication with a wide range of stakeholders. We therefore welcome this consultation.

We comment below on a number of areas where we consider different emphasis should be included in the draft MoU.

Scope

Paragraph 1.1 states that the MoU is '*particularly relevant to standard setters in jurisdictions that have adopted or converged with IFRSs, or are in the process of adopting or converging with IFRSs*'. It is not clear from this whether, for example, the US FASB would be included in this. The reference in paragraphs 4.1-4.9 to opportunities for national standard setters to be involved with projects that are under the direction either of the IASB or FASB implies that the FASB may be outside the scope.

In view of the increasing focus on joint working arrangements with FASB, and their impact on public perceptions of the independence of the due process of the IASB, we believe it is important for this MoU to address the relationship with FASB.

Communication among standard setters

We strongly encourage communication among standard setters on issues of common interest. Paragraphs 3.7, 3.16 and 7.2 suggest that IASB should maintain ‘a database of technical issues reported by accounting standard setters and others’. If the intention is that this should serve merely as a communication tool among national standard setters then we would support this. However we would be concerned if the database had wider usage or if entries in the database came to be regarded as an alternative source of GAAP, particularly as they would not have been subject to appropriate quality review or due process.

Project role

We support the proposals for the IASB to provide opportunities to national standard setters to be involved in projects. For this cooperation to be successful, the strategic objectives of the national standard setter with regard to the project should be closely aligned to those of the IASB. This aspect should be further emphasised in the memorandum.

Application of standards

Paragraphs 6.2 and 6.6 recommend that *‘the IASB should provide a reasonable lead time to allow other standard setters to process the IFRSs for application in their local regulatory framework so that they have every opportunity to establish and maintain a set of standards that enable their constituents to continue to make an unreserved statement of compliance with IFRSs’*. While we agree with the desirability of this objective, we have in practice seen that endorsement procedures in Europe can mean that standards are not approved for local use for up to six months or more. In some countries, standards are approved with a one or two year delay.

We are not sure what the Board intends by ‘provide reasonable lead time’. But the effective dates for new standards should not be dependent on the slowest countries.

The objective should be to have local issues fed into the standards setting due process, such that reservations that may lead to divergences from the IASB’s standards are dealt with at an earlier stage in the development of the standards. Hence we believe the Board should use every avenue open to it (including liaison with national standards setters, greater preparer input in the Board, and use of field testing) to obtain input from stakeholders on the practical application issues before standards are released. National standard setters can assist with this by identifying and analysing implementation issues in their territories, assisting with local field testing and sharing knowledge with stakeholders and the IASB.

We agree with paragraph 6.3 that amendments to IFRS standards (in our view including substantive changes to the wording or elimination of alternatives) that result in the deletion

or weakening of requirements by individual countries should be avoided. We would go further and suggest that in such cases, the local jurisdiction should not refer to the accounting framework as 'IFRS', since there is the risk of confusion in the marketplace between 'pure' IFRS and 'IFRS as adopted in country X'.

We also agree with paragraph 6.5 that there should be appropriate disclosure of any difference between the local version of the standards and IFRS.

Interpretation

Our experience is that few issues of interpretation are confined to a single country or territory. National standard setters should be encouraged to raise issues for attention and consideration by the IFRIC Agenda Committee, to be assessed by that Committee in line with the criteria as noted in our response letter on the IFRIC Review of Operations. Where an issue is accepted by the Agenda Committee, the resources of the national standard setter could be used to help prepare the required technical analysis, thereby alleviating the strain on IFRIC's own resources.

Education

As noted in our response to the IASCF Constitutional Review, we do not agree that the Trustees or the IASB should have a duty to foster and review the development of educational programs and materials. This activity should be left to other external organizations to perform. Accordingly, we do not consider that IASB and national standard setters should be ascribed responsibilities in this area. National standard setters can however play an important advocacy role in working for wider awareness, application and acceptance of IFRS in their countries.

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 LLP