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Ms Andrea Pryde
International Accounting Standards Board
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Dear Andrea

Consultation Paper: 'Strengthening the IASB's deliberative processes'

The Accounting Standards Board is grateful for the opportunity to comment on the IASB's review of its own due process.

We should perhaps start by stating our view that - despite the challenges of building a new team and establishing a new global dialogue on financial reporting issues - the IASB has achieved a remarkable level of consultation in its first three years of existence. From our position in the European Union, we particularly welcome the fact that the IASB has shown its readiness to dialogue directly not only with the national standard-setters and their constituent groups in the three major capital market economies of Europe, but also with the European Financial Reporting Advisory Group which has the objective of assembling the various views on financial reporting from across the region.

That said, we appreciate that the pressures of meeting the March 2004 deadline for the issue of the standards to apply in 2005 have led some to suggest that the IASB has not followed appropriate due process. We therefore welcome the IASB's current review and its indicating its readiness to further enhance its procedures.

At the same time, and as already stated in my letter of 11 February to Tom Seidenstein on the IASCF Constitution Review, our Board cautions against too rigid a structure of due process. In our view, whilst public consultation is paramount, there is a need to apply a flexible approach to due process which can reasonably be tailored according to the importance and contentiousness of any individual proposal. Most of the major 'improvements' project recently completed did not, for example, in



our view require a four stage process, including discussion paper and field testing. Many of the proposed conceptual projects for the IASB's future agenda will, though, need careful handling including wide consultation at each stage.

We fully support the measures that the IASB has taken, and is planning to take, to improve its deliberative processes and so enhance public confidence in its work. In particular, we welcome the introduction of a comprehensive Basis for Conclusions on each pronouncement which we consider is helping the Board to explain its views on the main arguments outlined in comment letters.

We note that the IASB proposes further to enhance the feedback on comment letters received, by posting on its website a summary of the Board's position on major points once they have been addressed. In taking forward this proposal, the ASB suggests that the IASB should make clear in advance to its constituents that it will not always be possible to deal with every comment on every issue to the same level. We hope that this recommendation will avoid the risk of the IASB getting side-tracked into rounds of correspondence with a particular interest group on a specific issue, to the detriment of a project overall.

In addition, given the potential read-across between different issues on a project, and between similar issues on different projects, the IASB and its constituents will need to be mindful that changes to its decisions in any particular area could have wider consequences.

We should also perhaps emphasise the important role that national standard-setters play in the IASB's due process, and in particular in those countries where investors and companies are 'major players' in the global capital markets. We regard it as our responsibility, with the members and staff of IASB, to engage constituents and to assist the IASB to understand the context of comments and concerns expressed by them. The importance of the liaison standard-setters as the IASB's spokesmen and its 'eyes and ears' was highlighted at the IASB's meeting on 27 April. We suggest that you might usefully add to your proposed handbook of policies and procedures some agreed 'modus operandi' for the liaison role.

Yours sincerely

Mary Keegan
Chairman