

Ms Andrea Pryde
Project Manager
IASB
30 Cannon Street
London

JK/SJ/06.2004/31

RE : Strengthening of IASB deliberative processes

Paris, Friday, June 25, 2004

Dear Ms Pryde,

ACTEO & MEDEF welcome the opportunity to comment on IASB's proposals to strengthen deliberative processes.

ACTEO & MEDEF are very active in following IASB deliberations and commenting on IASB exposure drafts. ACTEO & MEDEF are therefore very sensitive to all improvements that may be undertaken in order to facilitate the understanding of the decisions made by the Board and to increase the consultation process with all stakeholders. The introduction last October of detailed observer notes has been greatly appreciated. Their availability through the website in advance of the meetings is also of great help. This undoubtedly represents a great effort by the IASB staff for which ACTEO & MEDEF is most grateful. ACTEO & MEDEF takes the opportunity of this comment letter to compliment IASB's staff for their efficiency and proficiency.

Earlier this year, when the IASCF has called for comments on the Constitution's review, ACTEO & MEDEF have expressed, in full consensus with a majority of other stakeholders, several concerns as to the IASB's standard-setting process. Clearly, the proposals made by the Board are likely to bring significant improvements. In elaborating them, IASB is giving a very positive response to the comments received on IASB's due process.

However there are several aspects that ACTEO & MEDEF wish to stress, in order to suggest a greater efficiency to the whole process. These suggestions are detailed below.

- 1- To ensure that no standard is issued before a full understanding of the decisions of the Board has been reached. This in our view can be achieved through:

- a. *Selection of projects that address a very large scope*

In our view, IASB should no longer undertake piecemeal amendments to existing standards. Now that the 2005 stable platform is being finalised and that it is being considered as a suitable set of standards to satisfy the European Union needs, there is no urgency (beyond the financial instruments which still need to be resolved) to amend the existing standards.

- b. *Discussion papers and field visits used in almost all circumstances*

Projects that imply a full review of existing requirements need increased consultation. We therefore welcome the Board's intent to make a larger use of discussion papers. We encourage the Board to go even a step further and generalise their use. Discussion papers should be set up in such a way that stakeholders are able to foresee all the implications of preliminary views exposed. Discussion papers are all the more needed that more projects are undertaken along with the FASB. Exposure drafts seem now not to be issued before almost all convergence issues have been thoroughly discussed and we support such an effort. It however implies that the proposed requirements are, when exposed, the result of a delicate balance of views between the two Boards. We fear that it will in the future be even less likely that comments received on an exposure draft will be given proper attention.

Field visits have proved in the past to be a very effective consultation process. We therefore recommend the Board to adopt them as an almost systematic feature of the due process.

- c. *Explanations for discarding comments or rejecting alternatives proposed*

We welcome the Board's intent to publish on the website a thorough analysis of all comments received and alternatives proposed. Even though individual answers would not be sent to every commentator, we are aware that a thorough analysis of 100% comments received, each of them being granted an adequate answer, requires a very significant effort. We however believe that such an effort is absolutely necessary.

We also believe that transparency would be greatly increased if letters received by the IASB originated by any stakeholder were posted to the web site, under the caption of the project to which they relate, even when sent spontaneously and not in response to an invitation to comment. These letters are, in our view, part of the consultation process and should therefore be published.

- d. *Further steps of consultation to be undertaken when IASB's proposals are not welcome*

Statistics reflecting analyses of comments received should also be posted to the web site. In determining the view of the majority, statistics should be computed on the basis of the opinions duly expressed, not on the number of letter of comments received. Whenever a majority of commentators are opposed to one of the main accounting requirement as projected, the issue should be jointly reviewed by the Board, the ad hoc Advisory Committee and the SAC, before any final decision is reached by the Board. Also when there is full consensus among one type of

stakeholders (preparers or users, for example) in contradiction with others, the issue should also be subject to a joint review as described above.

Public hearings, round tables, further consultation with advisory groups may then be organised. No publication should be decided as long as the full consultation process is not finalised.

- 2- To ensure that the final standard issued appropriately reflects the consultation and deliberation process. There should be no circumstance in which amendments are made to a standard without any former exposure and consultation. No deletion, no addition, no alteration should be decided before having been formerly exposed and discussed.

We welcome the intent of the Board to make drafts in-progress available on the website. This is an efficient way to enlarge the "fatal flaw" review that the Board undertakes before issuing a standard. A regular and close study of the Board's deliberations should in principle leave no surprise to be discovered when the final standard is issued. However, reading in advance the text in preparation could help identify where clarifications or rewording would be helpful.

- 3- To ensure at all times full visibility of the direction in which the IASB is working, we wish to reaffirm the need that IASB allows for an appropriate review of the framework. At present, there is a full consensus of all stakeholders that the framework need to be reviewed and discussed:

- a. In its present state, the framework is so concise that it gives rise to multiple interpretations
- b. As IASB is being entrusted with standard-setting for large areas of the world, it owes the jurisdictions which are now depending on it, a high transparency and visibility of the accounting model that it intends to develop.
- c. Stakeholders who today are almost unanimous in claiming for a review of the framework would appear in fact very divided if and when the review was undertaken. We believe that this debate must absolutely take place before the IASB standard-setting work continues to develop.

If IASB pursues its standard-setting work before the debate on the framework has taken place, the consultation process will undoubtedly go on revealing differences in view on the fundamentals, standard after standard. Other "IAS 39" crises will have to be experienced. Once the accounting model to be developed is agreed, however, the consultation process will be a much easier experience. Proposals that are consistent with the agreed model would not raise significant issues. Consultation would then be also more effective, because only comments and alternatives in line with the accounting model would need to be considered.

As an international standard-setter, IASB, in our view, should not try to escape from that debate. It owes it to all jurisdictions which have shown trust in it.

We remain at your disposal should you need further clarification or background information.

Yours sincerely,

ACTEO

Philippe CROUZET

Le Président

P/O Jean KELLER



Le Délégué Permanent

MEDEF

Agnès LEPINAY



La Directrice des Affaires Economiques, Financières et Fiscales