



Mexico City, 28th July 2005.

CL 39

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

commentletters@iasb.org

Dear Mr. McGregor:

Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF), the accounting standards-setter in Mexico, appreciates the opportunity to express its opinion on IASB's "*Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB*". This letter contains the most relevant views of CINIF's standard setters and research team.

On the overall, we agree on the list of proposed responsibilities and consider that this document raises very relevant issues to enhance the relationship between IASB and standard setters around the world; we commend the International Accounting Standards Board for this initiative.

CINIF would like to express few concerns and offer some recommendations regarding your proposals.

So far, we have made significant progress to accomplish international convergence, encouraging national regulators to actively participate in this endeavour. Nevertheless, this process has been gradual; in fact, reaching an agreement with regulators has required an appropriate timing and continuous negotiation. Fortunately, one of our most important regulators, the Mexican Securities Commission, which is an IOSCO member and co-

founder, is fully committed to this task and has been most supportive with CINIF in the development of high quality accounting standards.

We also acknowledge the importance of communicating IASB's important role and new developments to our constituencies. In this respect, we try to keep them informed, through our quarterly informative and technical reports and through our website. Still, although international convergence is our priority, we recognise the fact that we have very limited human resources to perform this undertaking effectively. For instance, the translation to Spanish of the massive volume of information generated by IASB, attending international forums or holding round tables, or even, discussing and submitting responses to consultative documents, while devoting most of our time to the convergence project, takes a whole amount of resources; nevertheless, we continue making our best effort to accomplish these tasks adequately. Moreover, CINIF, as a recently created organization, finds it sometimes hard to obtain additional resources and we wonder whether IASB has considered the possibility of identifying world financial sponsors who could help our economies accelerate international convergence.

In addition, we believe maintaining updated databases is an excellent initiative to keep standard setters informed and would surely improve the communication process. However, we recommend the establishment of additional mechanisms to ensure IASB's consultative documents, research projects or projects in progress, are received on time by standards setters to be distributed to their jurisdictions. A monthly notice sent directly to standard setters, containing *condensed* information of IASB's recent developments, numbered sequentially, certainly would be highly useful for standard setters to obtain a timely update.

On the other hand, we completely agree with the idea of working in partnership with other standard setters and IASB members to develop new projects. From our experience, working with our Latin American peers in the development of a revised standard dealing with the recognition of inflationary effects, has proved to be fully workable and a quite rewarding experience for all participants.

Likewise, we endorse IASB's approach to IFRS application. Indeed, *adoption* is an ongoing process and will take long time to process and incorporate IFRS to our regulatory framework. Furthermore, we agree that "adoption" in many cases does not mean "a total and unrestrictive adoption" and most of the times IFRS are adapted, while maintaining IFRS substance intact within domestic regulations. This is particularly true in those countries, such as Mexico, having a long tradition of developing their own accounting standards and a different legal environment. In this respect, in our convergence project, we are identifying and eliminating differences with IFRS and only in rare cases we have identified pervasive differences between international standards and domestic accounting practice (e.g. the use of appraisals for restating property plant and equipment which has been for years forbidden in our regulatory framework); in those cases, we pretend to inform IASB of such differences in order to reach an agreement.

With respect to the IFRS interpretations issue we fully agree with your proposals although we consider that, as far as possible and considering standards are issued under a principles-based approach, IFRS should be clear enough to avoid the use of interpretations. Moreover, professional judgement should be encouraged on IFRS application. We recommend that in all cases IFRS interpretations should be issued or at least approved by IASB. We believe this issue requires further discussion and consideration.

Finally, we applaud IASCF's recent initiative to develop educational resources. For instance, the recording of recent IASB's seminars on current subjects (e.g. the Conceptual Framework DVD) has proved to be very illustrative to understand IASB's work. In addition, the "basis for conclusions" section on each standard, although not an official educational tool, also gives light to standard setters on the basics and fundamentals of each standard. Yet, further guidance on particular accounting topics such as impairment determination, financial instruments or intangibles valuation, is needed to enhance our knowledge on these issues; courses on IFRS would also be welcomed.

However, we agree to the fact that standard setters should develop their own educational resources and make IASCF aware of their particular needs. In this respect we recognise that there is a need for issuing publications on the main differences between international and domestic standards; the latter could be done in partnership with IASB members. Likewise, we have acquired most of the recommended bibliography on your resources website section which has been quite useful for understanding many accounting issues and for elaborating further educational material for our constituencies; if possible, we recommend your list of publications to be extended.

CINIF welcomes the opportunity to have expressed its views on this document.

Please do not hesitate to contact us if you wish to further discuss any of the matters raised in this submission at 00-52-55-55-96-56-33/34 or at fperezcervantes@cinif.org.mx.

Yours sincerely,

CPC Felipe Pérez Cervantes
CINIF Financial Reporting Standards Board
President

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