

Mrs. Andrea Pryde
IASB
30 Cannon Street
London EC4M 6 XH

United Kingdom

XX June 2004

Dear Mrs. Pryde,

Draft for comments by no later than 8 July 2004

Re: IASB discussion paper of 24 March 2004: “Strengthening the IASB’s deliberative processes”

EFRAG is involved in the IASB’s deliberative processes and is therefore pleased to comment on the discussion paper issued by the IASB on 24 March 2004 as part of the review of the IASC Foundation and IASB constitutional arrangements.

The paper particularly sets out improvements to the deliberative process in the areas of:

1. the accessibility and transparency of the IASB’s deliberative process
2. the IASB’s responsiveness to constituents’ comments
3. the extent of consultation before releasing proposals and standards.

EFRAG welcomes each of the detailed improvements as presented in the paper and regards them as a great improvement to the transparency and democratic process within the IASB.

In addition to the proposals made by the IASB, EFRAG wishes to draw attention to the following areas where further improvement would be welcome:

Ad 1. Comment periods

IASB is setting standards on an international global level. EFRAG believes that comment periods should be sufficiently long to enable constituents to participate in the dialogue with sufficient time for analysis before providing the Board with technical comments. Considering the fact that in some cases the period between the end of the comment period and the ultimate issuance of the final standard can take up to 12 months, we believe that there should be room for extending comment periods. In our view for most issues a comment period of 3 months is too short and we recommend a 4 month period for exposure drafts, and even longer for periods covering holiday seasons. We understand that in certain cases projects are “fast-tracked” because urgently needed and benefits of the project are obvious. In these exceptional cases a shorter comment period may be acceptable, but we believe it should never be shorter than 3 months. Further, we believe that discussion papers generally should have longer comment periods, because these issues are in many cases less developed and discussion papers are the first exposure of an issue.

Ad 1. Changes to existing standards

(a) EFRAG recommends that IASB should limit the cases where standards just issued are revised by proposed amendments shortly after (e.g. IFRS 3 *Business Combinations* and IFRS 4 *Insurance Contracts*).

(b) EFRAG is concerned about the fact that the IASB incorporates editorial changes to existing standards on a regular basis. It is very difficult to draw the line between just editorial changes and changes with potential greater impact. It may also cause practical problems for translation of standards. In practice it is very difficult to track all the changes made and make sure to work with the up to date version of existing standards. We recommend the IASB to revisit this procedure in the context of a proper due process.

(c) Although it may be allowed under the constitution, EFRAG is very concerned about the fact that IFRIC via interpretations has the power to introduce changes to existing standards (e.g. IFRIC D6 *Multi-employer Plans*). Since IFRIC interpretations generally are issued with a shorter comment period than standards we believe that it is not compatible with a proper due process to propose changes to standards without sufficient time for exposure. Therefore we recommend that any change to existing standards would have to go through sufficient consultation.

Ad 2. Basis for Conclusions

We understand that the IASB cannot respond to all comment letters received on an individual basis. However, it would be very useful to know in detail how the Board has evaluated arguments put forward and why it accepts or rejects certain views provided by commentators. Instead of integrating such analysis into the Basis for Conclusions the IASB could consider to issue a summary document on the website which sets out how the Board has dealt with arguments and comments put forward by commentators.

Ad 3. Use of field tests or field visits

EFRAG acknowledges the positive initiative IASB and its constituents took with the field visits carried out in the context of the project on Business Combinations. We believe that many issues of which the IASB became aware during the field visits have been taken up and in the end have fundamentally improved the final outcome of the project. We are aware that field tests may create enormous costs for participating companies, but may be – at least in some subject areas – they also create great benefits. Therefore, we urge the IASB to consider project by project based on a cost/benefit analysis whether to make use of field tests or at least carry out field visits.

Ad 3. Use of Discussion papers

With regard to major new developments, e.g. Comprehensive Income, SMEs, etc., EFRAG strongly recommends the use of discussion papers in advance of the issuance of Exposure Drafts. This would improve the due process in a way that IASB's constituents would be involved in the discussion far earlier and would allow them more time for a comprehensive understanding and discussion of new subject matters.

Ad 3. Re-exposure of proposals

It is not clear to us whether decisions by the Board to re-expose certain issues are based on general criteria for re-exposure or are purely at the discretion of the Board. EFRAG is aware that a decision to re-expose needs to be made for each decision individually and it may be difficult to set general rules. However, we believe that - as a general rule - if IASB decides to go to a completely different direction than initially proposed, re-exposure of the amendments should be required.

Therefore, we would welcome explicit criteria laid down for IASB as to when to re-expose a proposed standard following reversal of a decision made earlier.

We believe that the points raised could have a positive effect on the IASB's deliberative process, increase transparency and strengthen the democratic element of the standard setting process.

If you would like further clarification of the points raised in this letter, Paul Rutteman or myself would be happy to discuss these further with you.

Yours sincerely,

Stig Enevoldsen
EFRAG, Chairman