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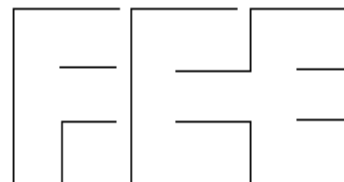
Le Président

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5 July 2005

Mr. Paul Ebling
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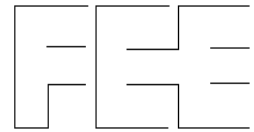


Dear Mr. Ebling,

Re: EFRAG Draft comment letter on IASB draft “Memorandum of Understanding on the role of Accounting Standard Setters and their relationship with the IASB”

FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) reviewed the EFRAG draft comment letter on the IASB draft “Memorandum of Understanding on the role of Accounting Standard Setters and their relationship with the IASB”. We are pleased to submit the following observations to you.

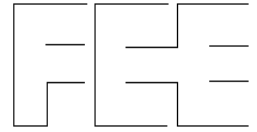
1. EFRAG doubts in paragraph 1 if there are any significant benefits to be gained by developing the draft memorandum of understanding into a final document that is signed by all parties. We are of the opinion that the latter part of the paragraph is unduly negative in tone. Instead EFRAG should emphasise the importance of cooperation and coordination with national standard setters. EFRAG should also refer to its current initiatives in Europe of closer collaboration with European national standard setters on pro-active work, in the immediate future.
2. In paragraph 2, we would prefer first to refer to the fact that the draft memorandum of understanding does not provide a definition of “national accounting standard setters”. National accounting standard setters differ substantially in legal form, authority, coverage and whether it concerns a public, private or a mixed public/private organisation. The draft memorandum of understanding does not seem to cover all these different organisations and seems very much drafted with one particular model in mind, whereas it would be important that the memorandum of understanding could be generally used. The current arrangements in the draft memorandum of understanding seem not to cover EFRAG’s regional role whereas, for Europe, such a relationship with the IASB is of crucial importance. We believe EFRAG should call for a more comprehensive document dealing both with the relationship between the IASB and national standard setters and between the IASB and regional organisations such as EFRAG.
3. We agree with EFRAG’s concerns that the standard setters which have not (yet) adopted IFRS seem to be given more prominence in the cooperation agreements than those which have adopted IFRS. We also believe that EFRAG should raise the issue of liaison standard setters with the IASB.
4. We believe that EFRAG should be more firmly saying in paragraph 8 that IASB should not, in form of a draft memorandum, encourage national standard setters to publish their own interpretations of IFRS. This should be limited to very rare specific national circumstances and subject to an overrule mechanism of IFRIC or the IASB. IFRIC should be the only body that issues general interpretations on IFRS.
5. Furthermore, we suggest that EFRAG could raise in its comment letter the issue of translation and copyright of IFRS. At present, many language versions of IFRS in Europe are said to be of poor quality. National standard setters have an important role to play in improving the quality of translation and their active involvement should be sought by the IASB.



6. A further aspect that we miss in the draft memorandum of understanding is the reference to “meetings” at different levels: world standard setters meeting, regional standard setters meeting, etc.
7. EFRAG may consider to include in its letter the following detailed comments:
 - Pursuant to paragraph 1.3 of the draft memorandum of understanding one joint aim of the IASB and other accounting standard-setters is to develop a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements to help participants in the world's capital markets and other users in making economic decisions. This is in line with paragraph 2(a) of the current IASC Foundation Constitution. SMEs should be mentioned in paragraph 2(a) of the constitution document and paragraph 1.3 of the draft memorandum of understanding should be amended accordingly.
 - Paragraph 2.3 of the draft memorandum of understanding states that accounting standard setters, not the IASB, should take the prime responsibility for identifying and dealing with domestic regulatory barriers to adopting or converging with IFRS. In European jurisdictions, accounting standard setters are not usually in a position themselves to remove regulatory barriers (see paragraph 4), since they lack the necessary regulatory power. The prime responsibility for dealing with barriers is with national governments.
 - Paragraph 2.4 refers to regional regulators: it is not clear to us what is meant: might it be the European Commission or regulators at below national level? If the European level is meant, the IASB should encourage European involvement in the IASB/FASB convergence project. Moreover, we welcome the general message of this paragraph that all standard setters should work towards convergence.
 - Paragraph 3.7 focused too much on interpretations whereas there is a separate section about interpretations. The database presented raises a number of questions:
 - Is it widely and publicly available
 - Would it not overlap with potential public databases held by regulators such as CESR
 - What is the difference with the current list of issues that IFRIC does not decide to take up?

Furthermore, implementing such a database should not replace other activities fostering the communication between accounting standard-setters such as, for instance, the world standard-setters meeting.

- It is unnecessary to state that a national or regional standard-setter “is not prevented from” carrying out research or developing thinking on a topic that has not currently been identified by other standard setters as a current priority as explicitly stated in paragraph 4.3. This choice of wording is unfortunate.
- Pursuant to paragraphs 4.7 (b) and 4.1 (b) any involvement of national or regional standard-setters in a project team should be under the direction of IASB and/or FASB staff. Firstly, in our view a project team should not be directed by the staff but led by the staff as stated in footnote 6 as, each accounting standard-setter should be able to contribute to an IASB project and not just receive direction from the staff. Secondly, in addition to the IASB staff the staff of other accounting standard-setters should be specifically mentioned. The IASB should not concentrate on its relationship with the FASB since there is a risk that this relationship and the inherent geographical interests will become dominant. Therefore, it is essential that the IASB maintain active liaison relationships with other accounting standard-setters.
- We suggest EFRAG to disagree with the assertion put forward in paragraph 5.1. The IASB states, in paragraph 5.1, that the views of national or regional standard-setters can be a



valuable source of independent thought to complement the comments of those who have financial interest in the outcome of a project. The IASB should consider that also academics and professional bodies, for instance, comment on IFRS, but do not have a financial interest in the outcome of a project. Therefore, paragraph 5.1 needs to be amended to read as follows: “The views of national or regional standard-setters can be a valuable source of independent thought to complement the comments of specific interest groups.”

We would be pleased to discuss with you any aspects of this letter you may wish to raise with us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin'.

David Devlin
President