

22.7/1/1

28 June 2004

Andrea Pryde
IASB
30 Cannon Street
GB-London EC4M 6XH

Dear Sir,

RE: STRENGTHENING THE IASB'S DELIBERATIVE PROCESSES

In response to your consultation on the strengthening of IASB's deliberative processes, UNICE would like to offer the following remarks.

UNICE welcomes the IASB's proposals. In response to the IASCF's Constitutional Review, there have been strong and convergent views from a very large set of various stakeholders as to the need for strengthening the IASB's deliberative processes. The proposals made by the Board can be considered as bringing a fairly positive answer to many comments received by the IASCF and should therefore be viewed as a source of significant improvement in the future.

However we would like to draw your attention to accompanying decisions that, in our view, ought to be made to ensure that improvements will truly materialise.

1- The IASB should view itself as accountable for its decisions to its constituency

IASB is being progressively entrusted by political authorities of various countries or regions with the task of providing a set of high-quality global accounting standards. Although there is general agreement that the definition of high-quality accounting standards requires the Board to act independently from any kind of pressure, the IASB is nevertheless in our view accountable for its decisions to the stakeholders of those countries and regions. Bringing to the general knowledge that all issues of controversy have been indeed addressed, as the IASB develops in paragraphs 15 through 17, is in our view helpful but not fully satisfactory. As supplements to these improvements, the IASB should:

- distinguish between the comments made by its active constituency, (stakeholders from areas where the IFRS practice is active or building up), and those from other commentators,

- retain as members of its Advisory groups representatives of its active constituency, unless the project is being pursued as a joint project with other standard-setters; in those cases, the membership must naturally be representative of the respective active constituencies,
- commit itself to take further consultation steps as deemed necessary in the circumstances, in order to avoid imposing accounting solutions which are largely rejected by its active constituency. This would happen when the rejection is evidenced by an overwhelmingly negative response to a discussion paper or an exposure draft.

2- The IASB decisions should take economic impacts into account

High-quality accounting standards are helpful to make financial markets more efficient in the future. To serve the public good adequately, the IASB needs to assess the potential economic impact that a change in an accounting policy may have. Such impacts may or may not be reason not to approve the change; however the basis for conclusions should clearly indicate the economic impacts that are expected from the change and why the IASB has nonetheless considered that the change had to be made. Neutrality of financial reporting must indeed be preserved.

3- Some steps in the consultative process need to be more systematic

Discussion papers need to be an almost mandatory step in the IASB's consultative process. Even where slight amendments are proposed, in view of strengthening an existing standard rather than changing it, a discussion paper might be needed, to ensure that there is full agreement that the main thrust of the standard does not need to be amended. In our view indeed, successive piecemeal changes should be avoided.

As an essential part of the consultative process, discussion papers need to be fully efficient. They therefore should provide an effective insight in the future standard at stake. They should be written in such a way as to allow an easy assessment of their ultimate impact.

Furthermore, recent experiences in relation to Business Combinations and Performance Reporting have shown the remarkable efficiency of field visits and testing. We therefore urge the Board to make them a systematic feature of the consultative process. To efficiently lead to relevance and reliability, an accounting requirement needs to be implemented without difficulty. Practicality is indirectly a key feature. Field visits and testing are the most adequate basis for assessing whether the IASB's proposals are practicable.

Invitation to participate should be broadly open to public, so that a wide range of participants can be selected. These should predominantly include active users and preparers. The results of the field tests and visits should be made public. The detailed findings and conclusions would remain on an anonymous basis, while the whole list of entities visited would be made public.

4- Compliance with the IAS Framework is essential

Accounting standards need to rely on strong internal consistency to build a set of high-quality standards. Compliance with the IAS Framework is the only way to fulfil the need for internal consistency. Such compliance is all the more necessary because IAS 8 refers to the framework as an authoritative source of guidance in defining an appropriate accounting treatment of types of transactions for which no specific guidance is available.

The framework embodying the accounting model of the full set of accounting standards, it should never be infringed. Revisions of the framework may of course be thought necessary, at certain points in time. Those revisions should be undertaken under a full due process.

5- Approach to further improvements to IFRS

Since the stable platform for 2005 is now being achieved, there should not in our view be further piecemeal improvements made to existing standards. Since existing standards are in the process of being assessed as to whether they are of good enough quality to be adopted in the European Union, it is worthwhile to apply them until a full revision is undertaken, if considered necessary.

6- Facilitating the understanding and translation of English versions of IFRS

A very rigorous and consistent usage of English is necessary to ensure proper understanding of IASB proposals and final standards. Published materials are meant to be translated into a large number of different foreign languages. Therefore English words that may have more than a single meaning need to be used very consistently. In addition to using the same language consistently, the IASB is urged to avoid jargon and overly complex technical terms. Standards and related texts should be written in plain English. An agreed and disclosed lexicon should be consistently applied through the standard-setting process. In the context of global convergence, it is important that such a lexicon is also agreed with, and applied by, other standard-setters, notably the FASB.

In the context of our above detailed recommendations, we believe that the Board's proposals are well designed to ensure great improvements in the Board's deliberative processes.

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

Yours sincerely,

(original signed by)
Jérôme P. Chauvin
Director, Company Affairs Department