



7 March 2005

The Hon Paul A Volcker
Chairman
IASCF
30 Cannon Street
London
UK – EC4M 6XH

Dear Mr. Volcker,

Re: Shared European Views on IASCF Constitutional Review

We welcome the meeting held with you and the other Trustees on 25 February to exchange views with representatives from preparers, auditors and EFRAG in order to obtain a better understanding of each other's positions. We appreciated the constructive and fruitful discussion. We reiterate the main European concerns expressed in the meeting shared by all European representatives present.

1. Our common aim is sustaining the European use of global financial reporting standards since these standards provide the benefits of increasing confidence in financial markets and of facilitating global investments, thereby reducing the cost of capital. There is a debate in the European Commission and European Parliament on the social and economic implications of IFRS that should be given visible attention. Therefore, at present, European support should not be taken for granted.
2. In our view, the IASCF should give the most serious considerations to the fact that Europe is an important, if not the most important, user of IFRS worldwide. The experience with the application of IFRS in Europe is directly of benefit to other jurisdictions and constituencies.
3. Satisfying the European concerns appears to us to require:
 - An appropriate degree of oversight
 - Accountability for the overall performance of the Board
 - More visible European involvement in global standard setting with more direct participation by EFRAG.

Oversight

4. We appreciate the understanding you expressed for these points of principle. An appropriate level of involvement of the Trustees in the agenda setting process is seen as a step forward in the oversight process. The review should also include the impact of the convergence projects on the agenda of the IASB and the other priorities within the agenda emanating from issues arising from implementation of existing standards.
5. The review of the agenda should also include the importance of reasonable stability of the standards and the importance of the revision of the Framework (in order to close apparent gaps between the Framework and some of the standards).
6. A series of emerging issues such as fair value accounting, pension accounting and performance reporting point to the necessity for robust oversight arrangements to ensure broad acceptance in Europe and elsewhere of the eventual standards.

Accountability

7. In order to enhance IASB's accountability and credibility, IASCF needs to strengthen its public oversight role in terms of public reporting on the assessment of the performance of the IASB in meeting the criteria set for their process and consultation. Consultation by the IASB has not proven to be a guarantee that practical issues are seen to be sufficiently considered.
8. Another requirement in this respect is the increased transparency of the selection process of candidates and appointment of members of the Trustees and Board. The perception given by the fact that Trustees are responsible for appointing their own successors does not readily fit with views in Europe on accountability. In Europe it is widely believed that formal involvement of European institutions and formal consultation with representative groups in these processes could ease concerns without impugning the independence of the Trustees.
9. A further concern is the current practice of reappointment of Board members and the related lack of transparency. During the meeting, we gained a better understanding of some of the challenges faced by the Nominating Committee, but consider that increased transparency in selection of new candidates and possible reappointment of Board members would be helpful.
10. In addition, we are of the opinion that the current composition of the IASCF and IASB is geographically unbalanced in particular in light of the close cooperation with FASB in the convergence project. The proposals in this letter are designed to assist in addressing this; additional European membership of IASCF and IASB is also desirable in our view as you know.
11. Thought should also be given to the role of Trustees and whether a more active role in explaining the work of IASCF and IASB and being seen to discuss and respond to concerns might not be advisable.

Role of EFRAG

12. A recognised European role in the global standard setting process would be helpful in demonstrating adequate involvement. This would require visibility of Europe at institutional level and an adequate recognition of EFRAG as the voice for Europe. EFRAG and its Founding Fathers are working on a further enhancement of EFRAG and are seeking formal recognition by the European Commission. In this regard, we are pleased that you indicated that in principle a more direct presence of EFRAG in the work of IASB could be possible,

provided there is European Commission support and any apparent conflict of roles is addressed. We consider that support of European national standard setters will also be important.

13. A debate is needed on how such further direct involvement of EFRAG in the work of the IASB could be organised and formalised both within Europe and with the support of the IASCF, whilst avoiding any apparent conflict of interest between the proactive work of EFRAG in contributing to the international standard setting and the subsequent endorsement advice on standards for European Union purposes.
14. EFRAG could be of great assistance to IASB by helping to provide a technical counterpart and interface towards the political authorities in Europe. In order to play this role, EFRAG needs to have a closer relationship with the IASB, including direct involvement in the convergence projects, observership of IFRIC and SAC membership.
15. EFRAG and its Founding Fathers are ready to put forward high quality European candidates for the IASB and to assist in proposing candidates for the IASCF, if there is greater clarity about the processes used.

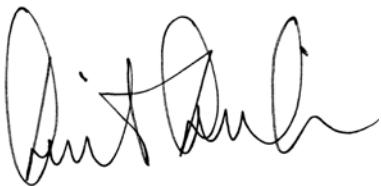
Interpretations

16. IFRIC needs to be more active in the area of interpretations in view of the much wider use of IFRS from the financial year 2005. We therefore call for more efficient operation of IFRIC, including the careful selection of agenda items. This requires a better resourcing of IFRIC.
17. The various parties in Europe are working on a platform to identify application issues in Europe, which is intended to operate in close cooperation with IFRIC, to satisfy the European needs resulting from the implementation of IFRS.

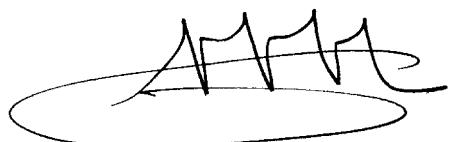
Way forward

18. In our view, the IASCF should not underestimate the current frustration and some difficulties with practical application of IFRS in Europe, including with consultation and some apparent deviations from the Framework. We appreciate the great progress made by the IASB in creating the stable platform of standards for 2005 but wish to repeat our common aim of sustaining the European use of IFRS.
19. Given the change in environment in Europe and the need for more thorough discussions on the implications of this change both by the Trustees and within Europe, we ask you to extend the consultation period of the Constitutional Review for a further limited period, say until the end of June.

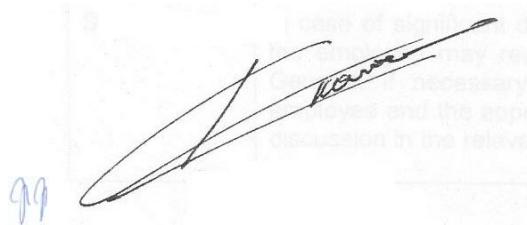
Yours sincerely,



David Devlin, FEE President



Gérard de la Martinière, CEA President



Michel Pébereau, EBF President



Philippe de Buck, UNICE Secretary General



Göran Tidström, Chairman of EFRAG Supervisory Board