UNICE
THE VOICE OF BUSINESS IN EUROPE

Legal Affairs Department

IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

30 September 2005

RE: IASB TECHNICAL CORRECTION POLICY

Dear Sir,

UNICE welcomes the opportunity to comment on IASB's proposed technical correction policy. Please find below our answers and comments in response to your invitation to comment. For the reasons explained below, we believe IASB ought not to pursue with the proposed policy.

1- Technical corrections for which such a policy could apply ought to be very rare and therefore do not require any specific procedure

In paragraph 1 of the proposed policy, technical corrections are said to address:

- Issues "for which it is clear that the words in a standard do not properly convey the Board's intention, even when considered with the basis for conclusions and any related guidance",
- "unexpected consequences of a standard that the Board would have corrected, had it been aware of them when the standard was issued".

The first category of items falls into the category of quality defects. The objective ought to be (and we believe it is) to achieve zero-default. The appropriate procedure is to reinforce control and flaw reviews.

A "quick-fix" policy is not, in our view, well suited for addressing the second category. In the example chosen by the Board, readers could not know, in reading the issued IAS 39, that the Board intended to converge with US Gaap on the Day-1 profit issue. The Board should not amend standards in a fast-track procedure on the basis of implicit and overlooked past intent.

2- Ways and means to avoid technical errors ought to be further developed

As mentioned above, we believe that the adequate policy the Board should adopt is three-fold:

- The Board should reinforce its flaw review process: this could be achieved by enlarging the group responsible for participating in the flaw review; the Board could also institutionalise the issuance of near-final drafts allowing time for proof reading and sending in comments by its public; this process could help identify contradictions in wording, unexpected consequences of requirements and unjustified and avoidable divergences with US Gaap;

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- Unexpected consequences of requirements could also be better identified if the Board made more frequent use of field visits as has been done in the course of BC phase 1. Board members and the project manager had come back with many examples of where inconsistencies or costly processes could be avoided;
- The issue of divergences with US Gaap could be addressed systematically, with paragraphs in the Basis for conclusions commenting and identifying how the Board intended – or did not intend - to eliminate identified divergences; flaw reviews on that basis could help identify issues such as the Day 1 profit prior to the issuance of final standards.

3- IASB's present due process provides for comment periods to be adjusted to the content of the amendment proposed

As stated above, we believe that every effort must be made in order to catch technical errors prior to the issuance of final standards. Nonetheless, if a need for correction appears after issuance, we believe the Board can address the issue within its present due process, adjusting for a shorter comment period. The short comment period could be accepted on an exceptional basis, because of the narrow scope of the amendment and the non-controversial feature of the amendment. To avoid the necessary delays involved in publishing, comment periods could start with publication on the website, without any privilege left to subscribers.

4- Even if the IASB can modify its standards rapidly, endorsement processes cannot adjust to the speed and the gain in time may remain illusory in practice

Fast reaction and amendment of standard carried by the Board in order to adjust after identification of the need for a technical correction will in no way reduce the necessary endorsement process. In Europe, endorsed IFRS become part of the law, and the slightest change in law requires the same process as a major overhaul. At every stage in its standard setting process, the Board must take these constraints into account as part of the IFRS whole process.

Should you wish to comment on the above further, please do not hesitate to contact us.

Yours sincerely,

J. Chauvin

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