



Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation internationale des commissions de valeurs
Organizaçào Internacional das Comissões de Valore

22 June 2004

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir David:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (SC1) appreciates the opportunity to provide our thoughts regarding the International Accounting Standards Board's (IASB) consultation paper – *Strengthening the IASB's Deliberative Process, 24 March 2004* (the Paper).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement.¹ Members of SC1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of SC1 and are not intended to include all the comments that might be provided by individual members on behalf of their respective jurisdictions.

IOSCO has long supported the work of the International Accounting Standards Board (IASB) in its efforts to develop International Financial Reporting Standards (IFRS) as a high-quality set of accounting and financial reporting standards that can be applied globally. We believe that such standards are essential to promoting investor protection and confidence in the financial markets while facilitating cross border capital flows, economic growth and development of efficient markets. To promulgate high-quality standards, a credible authoritative standard setter needs a transparent and effective due process that allows stakeholders to see how their views have been considered. Such a process is key to promoting broad acceptance and application of the standards.

Therefore, we commend the Board for undertaking an internal review and assessment of the deliberative process based on the past three years of experience and feedback from interested parties. As noted in the IOSCO letter dated 9 February 2004², we have been concerned about whether the Board's due process was operating as effectively as it should be. We are pleased to see that many of our concerns and

¹ See IOSCO website, www.iosco.org

² Technical Committee comment letter addressing the International Accounting Standards Committee Foundation's invitation to comment on the paper entitled *Identifying Issues for the IASC Foundation Constitution Review – An Invitation to Comment*.

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: (34.91) 417.55.49 • Fax: (34.91)
555.93.68
mail@oicv.iosco.org • www.iosco.org

recommendations, as noted in our letter dated 9 February 2004, have been addressed in the Paper. We acknowledge that many of the enhancements identified, and currently being implemented, have incremental costs associated with them. Some, such as the web-based broadcasts, require significant resources to implement. However, in the long term, we believe such costs are worthwhile and will produce benefits that far exceed the additional costs.

The three areas addressed in the Paper include: (1) the accessibility and transparency of the IASB's deliberative process; (2) the IASB's responsiveness to constituents' comments; and (3) the extent of consultation before releasing proposals and standards.

Accessibility and Transparency of the IASB's Deliberative Process

We support strongly the Board's decision to make its meetings more open and easily accessible to those interested in observing the deliberation of issues by expanding the information provided in the observers' notes. The additional background information, illustrative examples, presentations, and staff recommendations will enable the observer to follow the discussions and to understand better the decisions reached by the Board. The use of Web broadcasts is another important improvement to make the meetings more accessible for those stakeholders unable to observe the meetings in person. Finally, we concur with the Board's decision to post comment letters as received during the comment period. Such procedures will make the deliberative process more effective in communicating the Board's discussion of the issues and comments received, and the resulting decisions.

We do have one recommendation to improve the usefulness of the archived Web broadcasts of the meetings. Our experience with other similar formats is that segmentation of the meeting, or electronic bookmark by the topic discussed, enables observers to view a particular area of the meeting without having to scroll through the entire meeting to find this discussion. In addition, we have noted that it is sometimes difficult for observers of meetings, either in person or on the internet, to determine what decisions have been reached. A recap of the decisions reached at the end of the discussion on each topic might provide more clarity in this regard.

IASB's Responsiveness to Constituents' Comments

A robust standard setting process should provide a forum for concerns of stakeholders to be heard and considered. We believe that comment letters provide such a forum and are an essential part of the deliberative process. Understanding how the views and concerns are considered in the Board's deliberations is also essential. Therefore, we support strongly the Board's decision to provide an analysis or summary of decisions made on major points and how constituents' concerns have been addressed. The two-column format as proposed – comparing the text of the exposure draft with any subsequent amendments - will greatly improve an interested party's ability to follow the cumulative effect of IASB decisions.

In addition to providing the summary of major points, the Board has indicated that it will post on the Web near-final drafts of forthcoming exposure drafts (ED) and standards after 31 March 2004, as well as utilize the advisory groups to identify "fatal flaw" or drafting issues. Again, we support the Board in its decision to make such drafts available before the final issue of an ED or standard.

The Extent of Consultation Before Releasing Proposals and Standards

Overall, we believe that each of the steps of due process (as identified in the Preface to IFRS) should be considered for each project, with a rebuttable presumption that all identified procedures will be utilized

on each project. If a certain due process procedure is deemed unnecessary, then the Board should explain its reasons for omitting the procedure. This transparency will improve stakeholders' understanding and overall acceptance of the Board's decisions.

As noted in the IOSCO letter dated 9 February 2004, "*Advisory groups can play an important role in standard setting. However, it is important for these groups to be used effectively and for the Board, the staff, and the advisory group participants to have a clear understanding of the roles and the objectives of the group as well as how the group's input is to be considered by the Board.*" Therefore, we concur with the Board's intention to make regular use of advisory groups on key topics and to define the role of such groups by providing a clear mandate and objectives. We also support the Board's decision to make more frequent use of discussion papers and field tests of proposed accounting treatments. Such early consultation provides stakeholders with the opportunity to give input before an exposure draft is published and possibly avoid misunderstandings that cause the project to be prolonged unnecessarily.

One area not addressed in the consultation paper is the "new dawn review" and/or "sunset review" of projects and the role that advisory groups will play. Currently, the due process steps do not specifically mention whether the Standards Advisory Group, or some other group, would be consulted regarding the continuation of a project. We believe that there should be a requirement to perform such reviews periodically to determine whether projects should be continued, modified, or terminated. These reviews should involve consultation with outside parties – for example the SAC or the project advisory group. In addition, we believe the results of the reviews should be made publicly available to interested parties.

Closing Remarks

Overall, we support the Board and its planned improvements to the deliberative process, which are an indication that constituents' concerns and issues are considered and acted upon in a positive manner. If you have any questions or need additional information on the recommendations and comments that we have provided, please contact me at 1.202.942.4400.

Sincerely,



Scott Taub

Chair

IOSCO Standing Committee No. 1