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Dear Mr Seidenstein

The Committee of European Banking Supervisors (CEBS), comprised of high level representatives from banking supervisory authorities and central banks of the European Union, welcomes the opportunity to comment on the International Accounting Standards Committee Foundation's paper - *Review of IFRIC Operations: Consultative Document*, published April 2005. CEBS members have an important role to play in the consistent implementation of European Directives and the convergence of Member States' banking supervisory practices.

Banking supervisory authorities and central banks have a strong interest in promoting sound and high quality accounting and disclosure standards for the banking and financial industry, as well as transparent and comparable financial statements that would strengthen market discipline. Ultimately, these objectives are key components of the stability of the global financial system.

Within its response to the IASCF's consultation paper, *Review of the Constitution, Proposals for change*, published November 2004, CEBS provided comments on the IFRIC operations. This response builds upon those comments. Overall we support the IFRIC proposals contained in the consultative document, however we believe that these proposals may prove insufficient to meet the growing demand for interpretation of the standards that arises in particular from European companies. In that context, it is important that the IASB continues to allocate appropriate resources to the interpretation workflow of the so called "stable platform" of IFRS. The enhancement of existing liaison relationships with national standard setters and other interpretative bodies might also contribute positively, provided that the interpretations of the standards remain homogeneous and consistent for all IFRS adopters. In that respect, CEBS welcomes the release in February 2005 of a *Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB*.

More detailed comments follow in appendix

If you have any questions regarding our comments, please feel free to contact Prof Arnold Schilder (+31.20.524.3360), the deputy chairman of EGAA, Arnoud Vossen (+31.20.524.3903) or Patrick Amis (+ 33.1.4292.6032).

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Arnold Schilder', written in a cursive style. The signature is positioned below the text 'Yours sincerely,'.

Appendix

Constitutional proposal

CEBS has no objection to the proposal to reduce the quorum from nine to eight members for a maximum of three consecutive meetings when there is a vacancy on the Committee. We noted also that the number of IASB members serving as non voting observers in IFRIC meetings would be now undetermined (instead of one or two). We hope that these constitutional changes will help IFRIC in delivering an increased number of high quality interpretations of the standards, while remaining consistent with the necessary expression of a diversity of views and opinions within the Committee.

In the same way, we agree with the proposed changes to the Preface to IFRIC.

Capacity to produce interpretations

We support the IFRIC proposals relating to their capacity to produce interpretations and, in particular welcome the planned increase of resources dedicated to interpretation matters.

Whilst we acknowledge that the production of exposure drafts and final interpretations has recently increased, we believe that the objective to deliver between eight and twelve interpretations a year may prove insufficient to meet the growing need for close-to-the-ground, practical and fast interpretations of the standards.

Machinery for rejecting issues proposed for IFRIC agenda

We support the IFRIC proposals concerning the adoption of a more formal approach to the rejection of issues.

Possible other mechanisms to address urgent issues and Involvement of accounting standard-setters and other interpretative bodies

We noted that, after due consideration, the IFRIC decided not to support the idea of becoming an urgent issues group and we understand that developing an urgent interpretation structure within the IASB, whilst retaining a due process, would be demanding in terms of resources. However, we continue to believe that adequate and timely interpretation is a key factor for a smooth implementation of IFRS, in particular given the principle-based nature of the standards. It is, therefore, important that an appropriate balance is maintained between assuring there is sufficient due process and addressing issues in a timely manner.

In that respect we support the development of liaison relationships between national standard setters and other interpretative bodies. Provided that the interpretation workflow remains homogeneous and coherent for all IFRS adopters, we believe that functioning relationships

with these bodies would support IFRIC in addressing the interpretation issues in a timely manner.