

27 September 2005

Sir David Tweedie
Chairman
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir David

Comment period for the exposure drafts proposing amendments to IFRS 3, IAS 19, IAS 27 and IAS 37

On behalf of the Technical Expert Group of the European Financial Reporting Advisory Group (EFRAG) I am writing to ask the IASB to consider extending, probably by two months, the comment period for the exposure drafts that propose amendments to IFRS 3, IAS 19, IAS 27 and IAS 37.

We recognise that the IASB has already allowed a comment period (of 120 days from electronic publication), which is longer than the period it usually allows for exposure drafts. It has also arranged some public hearings. Although we are appreciative of that longer comment period and are pleased that public hearings are to be held, we believe that, in the circumstances, a 120-day comment period running through July and August is insufficient for European commentators—and perhaps other commentators as well.

- The exposure drafts contain a number of proposals that will have a fundamental effect on the financial statements and/or have potentially widespread implications for other aspects of accounting. For that reason it is vitally important that the IASB's constituents study the proposals carefully before responding to them. The length of the exposure drafts and the complexity of some of the proposals mean that this process will take longer to complete than the average IASB exposure draft.

The nature of the drafts themselves compounds this problem because it is often not clear from the text why a particular proposal had been made. For example, faced with radical proposals for change it is reasonable to start by asking what is wrong with what we have now and how will the changes proposed benefit users of the financial statements. However, in the main the Basis for Conclusions as drafted does not help in answering those questions. This makes it more difficult to evaluate the proposals.

For these reasons, a longer comment period than normal is needed if the comments of participants are to be well-informed, properly considered and based on proper consultation.

- Yet the comment period for the exposure drafts coincided with the first season of IFRS interim reporting, which placed a substantial additional burden on preparers and auditors, and the traditional holiday season in Europe. So, in practice a very important part of the IASB's constituency—Europe—has a shorter than normal comment period in which to digest the proposals.

We have long argued that discussion papers are a necessary stage in every major project that the IASB undertakes. However, the IASB chose not to issue a discussion paper before these exposure drafts, even though they contain some radical proposals that will have significant accounting implications. In the absence of a discussion paper, it is even more important than ever that the IASB allows its constituents sufficient time to consider its proposals properly.

In our view, the concerns raised in this letter could be addressed by extending the comment period, probably by two months. In our view an effective public consultation process is a valuable part of the standard-setting process—it leads to better standards. Our concern is that, unless the IASB extends the comment period in this case, a significant part of its constituency will not be able to participate fully in the public consultation process; this could have a harmful effect on the quality of the eventual standards and on their acceptance within Europe.

If you wish to discuss the letter further, please do not hesitate to contact Paul Ebling or myself.

Yours sincerely

Stig Enevoldsen
EFrag, Chairman