

12 November 2008

Letter from UK constituents: preparers, auditors and users of accounts

To Financial Times

Copies to European Commission and IASB

Due process, independence and global standards

We have before us a situation that could threaten the independence of international standard setting, the use of proper due process and the future of global financial reporting standards.

The European Commission has written to the IASB asking for further changes to accounting standards for financial instruments, in time for year-end financial reporting. The letter raises important issues that we believe the IASB should decide on as soon as possible, preferably with the US standard setter (FASB) so that a “level playing field” is preserved.

While the IASB should do all it can to decide by December, it is important that appropriate due process is followed and that all of its global constituents have time to consider and comment upon the proposed changes. It may be that, in these extraordinary times, due process could be fast tracked to some extent and constituents be asked to give their comments in a shorter time than usual.

Effective consultation with preparers and users of financial reports is an important element of the governance framework within which standard setters must operate. It is both a necessary constraint on the standard setter and an opportunity for comments from around the world to be gathered, considered and addressed as appropriate.

After the debate, the IASB must decide the issues on their merits. It must remain independent, even if it disagrees with its biggest user, the EU. Europe, for its part, should argue its case strongly, but in the end it must accept the decision of the independent standard setter.

The EU has the ability not to accept international standards for use in Europe, or to change them. We strongly believe that these powers should only be used in the most exceptional circumstances and that the present situation does not justify their use. We would not support another carve-out.

IFRS is becoming the world's global accounting standard, and the EU has played

a very important part in this convergence. If Europe in any way adopts its own version of IFRS, we not only lose the advantages of global comparability, we also risk detaching ourselves from this global movement and sacrificing our position of influence for one on the sidelines, just at a point when the global economy needs strong leadership in all areas, including accounting.

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