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Paris, 29th July 2005

Thomas Seidenstein
Director of Operations
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30 Cannon Street
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Le Président

AB/PS/CS

N° 473

Dear Mr Seidenstein,

Due Process of IASB: Draft Handbook of Consultative Arrangements

On behalf of the Conseil National de la Comptabilité (CNC) I am writing to comment on the IASCF paper *Due Process of IASB: Draft Handbook of Consultative Arrangements*. The CNC welcomes the decision to review the due process of the IASB. In general, we support the proposals in the draft Handbook.

Our views are largely convergent with those expressed by the EFRAG in this matter. We have therefore set out below those of the opinions of the EFRAG which we have adopted as our own.

- 1 Paragraph 24 describes the consultation process that the Board goes through before taking an agenda decision.
 - (a) We think the description would be more complete and uptodate were it to refer to the joint IASB/FASB agenda decision process that now exists.
 - (b) In our view the agenda consultation process could be improved by incorporating a public consultation stage.
 - (c) Our perception is that the Norwalk agreement has had a fundamental effect on the way the IASB operates, on its agenda priorities, and on the style and content of the standards it produces. Although we are in complete agreement with the objectives of the Norwalk agreement, we nevertheless think that, as a global standard-setter, the IASB should not be able to take decisions that could have such a significant impact on the financial reporting framework in Europe (and in many other countries around the world) without consulting publicly on the direction it is proposing to take. We therefore believe the IASB should be obliged to consult publicly in future before entering into such agreements.

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- 2 We note (from paragraph 30) that the IASB will normally publish a discussion paper as its first publication on any major new topic "as a vehicle to explain the issue and solicit early comment from its constituents". We strongly support this intention. Issuing discussion papers at an early stage in a project helps the IASB's constituents to understand how the IASB is thinking and thus enables them to participate more effectively in the debate. The IASB can only benefit from enriching the debate in this way. However, to maximise this benefit it is important that the consultative paper is issued at an early stage before the IASB's thinking has become fixed.
- 3 Paragraph 42 explains that the normal comment period for a consultative document is 90 days, although for major projects a longer period will normally be allowed. In our opinion:
 - (a) the normal comment period for a discussion paper should be 120 days;
 - (b) there ought to be more 120 day comment periods in the future than there have been in the past, so that the consultation process is less hurried and there is more time for mature reflection. Conceivably, the normal comment period for all consultative documents should be 120 days.
- 4 The paper does not refer to 'lead times'—in other words, the period between the date of publication of an IFRS and its effective date. Allowing sufficient time for entities to prepare for the implementation of a new or revised standard is in our opinion an essential part of the due process. The length of lead times is even more important for areas like Europe that have an endorsement process. The IASB's procedures should formally recognise that endorsement processes exist and that an appropriate amount of time needs to be allowed in the IASB's implementation timetable for those endorsement processes to be completed.
- 5 Paragraphs 60 and 61 explain the process followed when a request is received from a constituent for an item to be added to the IASB's agenda. We wonder whether for such requests it might be worth adopting a process similar to that now being adopted by the IFRIC to help ensure transparency of agenda decisions. (In other words, the reason for rejecting a request should be exposed in draft form for a month or so and then published on a database.)

Yours sincerely

Antoine BRACCHI