



Mr Hans Hoogervorst, Chairman  
International Accounting Standards  
Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom  
Email: commentletters@ifrs.org

Brussels, 29 November 2011  
HS/VH/B16/11

**Re: IASB Agenda Consultation 2011**

Dear Mr Hoogervorst,

The European Association of Co-operative Banks welcomes the public consultation on the IASB's future Agenda and appreciates the opportunity to submit its comments. With this consultation, the IASB responds to a longstanding request of many market participants. We regard the Agenda Consultation 2011 as an important step to enhance transparency and governance of the IASB.

During the recent years, the IASB has dealt with an extremely extensive and complex workload. It seems to us that the number of simultaneously ongoing standard setting projects and amendments was much too large as to allow for a thorough work on all of the projects. Resulting from this overload, substantial projects have been delayed notably. Especially the IASB Financial Instruments Project is marked by prolonged delays.

Generally, concerning future agenda setting, we strongly suggest taking greater account of critical factors and restrictions that may cause bottlenecks and retardation of projects. Resources of time and personnel are limited on the part of the IASB as well as on the part of the constituents. Nonetheless, for every single standard setting project strict adherence to the due process defined in the IASB handbook is essential, but is locking down a lot of capacity. Therefore, the number of projects to be worked on at the same time has to be limited rigorously.

Furthermore we think that cost/benefit aspects should play a more important role, also in setting accounting standards. We therefore encourage the Board to give more room to such aspects in its due process.

Most of the pressing economy-wide issues seem to be related to the financial crisis and to the restoration of trust. This leads, inter alia, to new international solutions for better oversight, e.g. Basel III or Solvency II. With regard to these new and complex international regulatory advices it seems of crucial importance that the IASB introduces a "period of calm" to preparers and users in which no new standards or substantial amendments have to be adopted.



### **Question 1**

*What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years?*

#### Question 1(a)

*Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?*

#### Question 1(b)

*How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please include these in your answer.*

The consultation document pinpoints "maintaining existing IFRS" as a second main task of the IASB, apart from "developing financial reporting". As considerable resources have to be allocated for that purpose, too, the question arises of how to strike an adequate balance between "development" and "maintenance".

In this respect, we basically agree that "maintenance" is a main task. Actually, this is in accordance with the goals stated in the IASB's Constitution (see recital 2(b) (d)). However, necessary measures for "maintenance" may evolve into demand for new standard setting projects. We think that "maintenance" and "development" are inter-related and that it is not useful to separate them by artificial categories.

Over the next three years, the work of the IASB should be focused on:

- (1) Maintenance/development of the existing standards (including, where necessary, new standard setting projects)
- (2) Further development and accomplishment of the Conceptual Framework (including a Disclosure Framework)

#### On item (1):

We welcome the IASB's proposal to foster measures which facilitate consistent implementation of IFRS. Consistency and efficiency of the application of IFRS have to be regarded as major factors for the acceptance of the reporting standards and of the IASB.

Concerning the development of the existing reporting standards, the IASB has to pay more attention to the cost-benefit assessment than currently done in the course of the IFRS development. The implementation of new standards usually requires extensive adaptations of IT-environment and software, and considerable expenditures in terms of time and staff as well. They will only be justifiable if an amendment improves the quality of a standard significantly. Therefore, the actual need for new standards or extensive amendments has to be examined very thoroughly. Alongside the intended Post-Implementation Reviews, we think that, before starting a new standard setting project, impact assessment is indispensable.

#### On item(2):

We are convinced that, in order to maintain the principle-based approach, it is vital to accomplish the Conceptual Framework including a Disclosure Framework. If the standards are backed by a solid framework, the need for (minor) amendments of standards would be minimized. In particular, the establishment of a consistent and comprehensive Disclosure Framework seems to be very important. Proliferation of



disclosure requirements specified individually in each of the standards has reached a dimension which rather hinders understanding of an entity's financial and economic situation. A Disclosure Framework providing universally valid rules would solve this problem. Related to this topic, we refer to the proposals outlined in the report "Losing the Excess Baggage", solicited by the IASB and set up by the Joint Oversight Group of the Institute of Chartered Accountants of Scotland and the New Zealand Institute of Chartered Accountants. These proposals have the potential to considerably streamline the disclosures in the notes to financial statements.

An ideal scenario for establishing a "conceptual framework" would be not to develop any new IFRS or change any existing IFRS until the framework is complete and consistent. But such an approach necessarily would have to be set up on an extremely high and abstract level that could not sufficiently guide standard setting and application. Thus, for reasons of feasibility, we suggest the "conceptual framework" to be a continuing project that runs parallel to other projects.

## **Question 2**

*What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?*

### Question 2(a)

*Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?*

### Question 2(b)

*Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available. Which of the projects previously added to the IASB's agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why? Please link your answer to your answer to question 2(a).*

Apart from the revision of IAS 39, the standard setting projects concerning lease accounting, revenue recognition and insurance contracts have to be accomplished as well. We agree that finalizing these projects must get top priority, prior to any other projects.

Further, we believe that when their finalization will have been accomplished it is absolutely necessary to have a 'period of calm'. New standard setting projects for specific issues should only be initialized in exceptional cases. In our opinion, such an exceptional case would be evident when a standard setting project would simplify existing standards in a material manner. In this context, we point out again that the trend towards more and more detailed rules for even more specific topics does not find our approval. A fast pace of change in existing standards, often addressing only details with no obvious benefit for users, results in increasing legal uncertainty and necessitates permanent and resource-consuming efforts of implementation. This trend must be reversed.

To concede a 'period of calm' would permit users to adopt and implement the multitude of new standards and standard amendments in a sound and consistent way. With regard to this, we agree with the IASB's reasoning that consistent implementation and



*European Association of Co-operative Banks  
Groupement Européen des Banques Coopératives  
Europäische Vereinigung der Genossenschaftsbanken*



application of the IFRS is essential for the IASB's future work. Besides that, the IASB should focus on the development of the Conceptual Framework.

For further information or if you have any questions please do not hesitate to contact us.

Yours sincerely,

Hervé GUIDER  
Secretary General

Volker HEEGEMANN  
Head of Legal Department