

EUROPEANISSUERS COMMENTS
ON
EFRAG CONSULTATION
ON
STRENGTHENING THE EUROPEAN CONTRIBUTION TO THE INTERNATIONAL STANDARD-SETTING PROCESS

29 September 2008

EuropeanIssuers is well aware of the activities of EFRAG and acknowledges the importance of its role. Indeed, quite a large number of EuropeanIssuers members (companies and national associations) contribute substantially to EFRAG, be it financially (directly or through European organizations) or in kind (*i.e.* by delegating experts to the TEG or other bodies of EFRAG).

In particular we appreciate and value EFRAG's work in providing

- input to the IASB and IFRIC (even though from a preparer's point of view we do not always fully concur with EFRAG's position),
- endorsement advice to the EU Commission,
- proactive accounting activities (PAAinE), at least as long as they clarify issues and do not dilute efforts to achieve better accounting standards and practices (unfortunately not all PAAinE publications so far were fully satisfactory in this respect).

The proposal to strengthen the European contribution to the international standard setting process (hereinafter "EFRAG plus") is put forward in response to the development that more and more jurisdictions move towards IFRS. There is, obviously – in particular given the financial and technical resources available in the US (see also the discussion on the review of the IASCF constitution), the fear that the focus in IFRS matters e.g. agenda wise or with respect to the technical discussion, could change to the detriment of European preparers, users and the European market as a whole.

While we understand and support that a strong European influence in the IASB standard setting process should be maintained, we have some reservations on how this is intended to be achieved, in particular, where it concerns the proposed revised funding. Figures available in the consultation show that the European business sector would be asked to virtually double its contribution (from 1.62 million in 2007 to 3 million EUR according to the budget for 2009 and 2010). Not only would the business sector have to contribute via European organisations (1 million EUR), but it would also be asked to contribute financially through National Funding Mechanisms (2 million EUR). It should however not be forgotten in this context that European businesses already contribute to the funding of the IASB itself and that the different business sectors necessarily need to maintain their own organisations and structures in order to ensure that their specific interests are heard.

As a consequence, these contributors would hardly be in a position to raise their financial support, let alone double their current contribution. One therefore necessarily has to conclude that other ways and means need to be explored and found on how to respond to the challenges EFRAG outlines in its consultation.

The present proposal to strengthen the position of EFRAG relies heavily on an increase of staff. According to the consultation paper it is intended to increase the number of employees from 8 to 20 technical and 5 administrative staff members. Bearing that in mind, we believe that an alternative and both more effective and acceptable strategy and business model for EFRAG would be to increase contributions in kind instead of increasing the number of own staff. Contributions in kind, by involving experts from the preparers and accountancy side in project teams or by the secondment of such experts, would provide EFRAG the expertise required to assume the strong position sought. It would ensure that EFRAG has at all times at its disposal highly qualified practitioners who have first hand knowledge in terms of market developments. Adding more staff to the secretariat will never strengthen EFRAG in the same way.

We sincerely believe that European businesses would be willing to consider additional contributions in kind, rather than increasing their financial contribution. The EU Commission will agree that contributions in kind from the business sector are at least as substantive as, if not more than, mere financial contributions and such shall therefore not influence the level of their own contribution (currently agreed at 50% of EFRAG's budget).

We strongly advocate a re-assessment of how the objectives of "EFRAG plus" as outlined in the consultation paper could be achieved taking into account the above considerations without imposing further financial charges on companies and business organisations.

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