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Berlin, 26 July 2005

Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationship with the IASB

Dear Warren,

GASB welcomes the opportunity to comment on the draft Memorandum of Understanding.

The discussion at the April standard-setters meeting has left a number of questions unanswered.

The JASB and the FASB commented that they do not see themselves as being party to the agreement. This leaves the impression of the MoU dealing with all other standard-setters without explicit working arrangements. As the text also includes rights and obligations between national and regional standard-setters, JASB's and FASB's understanding seems to point towards the MoU being a formal agreement to be adopted by the parties involved. Is this IASB's understanding? Are there any sanctions for breaching one's obligation?

The IASB and its predecessor IASC have a long history of working with regulators. The European Commission received observer status in the early nineties, long before IOSCO. While seeing encouraging the German government to participate in international convergence efforts very much as part of GASB's objective and responsibility, we would not discount IASB's active support altogether.

While accepting all obligations to communicate as accounting standard-setter, we have doubts about IASB obliging on all issues listed. We are not aware that IASB maintains or intends to build and maintain an up-to-date database of technical issues reported.

The co-operation on projects could be phrased differently: national or regional standard-setters should be seen as a welcome supplementary resource in staff and pool

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of ideas. The IASB is not the gatekeeper to standard-setting being carried out anywhere in the world. Pursuing research work is not a burdensome obligation. It is in the interest of the IASB to use all resources available and in the interest of standard-setters to provide the resources. It does not seem obvious why FASB staff directing projects should be mentioned if FASB does not feel being a party to the MoU.

While supporting the idea that IFRS should not be amended by standard-setters in a manner that creates non-compliance, this seems to be an obligation rather vis-à-vis the standard-setter's constituents than vis-à-vis the IASB.

Some aspect of the relationship between national interpretive bodies and IFRIC are dealt with in the IFRIC's review of its operations. We do not subscribe to the statement in 7.8 that IFRIC's and IASB's decision not to address an issue has to be regarded as resolving the issue. If there is divergent practice in the jurisdiction of a standard-setter, there might be a legitimate ground for clarification even if IFRIC deems the Standard to be clear. Of course, great care has to be taken to remain on the common ground of IFRS.

GASB does not see the IASB as the prime source or collector of educational material. Language is a very high hurdle. Again, there is room for co-operation amongst standard-setters. However, this co-operation is not subject of the MoU.

If you would like any clarification of the above, please do not hesitate to contact me.

Yours sincerely,

Klaus Pohle