



The Corporate Reporting Users' Forum

September 30, 2013

Dear M. Maystadt,

Re: SHOULD IFRS STANDARDS BE MORE EUROPEAN?

Thank you for your letter dated 2 September requesting comments on your draft report on reinforcing the EU's contribution to International Financial Reporting Standards. We are pleased to have the opportunity to offer you some feedback, as we believe your report could have significant implications for the accounting standard setting process if the recommendations are implemented in Europe. We have the following comments to make:

In our view Financial Statements and Reporting serve principally to inform shareholders and creditors and enable them to make investment decisions. Other stakeholders such as regulators and tax authorities are in a position to require additional financial information, whereas the core user groups are dependent on these published statements. It is therefore essential that they are based on accounting which is of a high quality, economically neutral, consistently applied and not influenced by special interest groups.

To that extent your report makes some recommendations which we find worrying and which would impair accounting from our perspective. Political involvement can mean strong influence by special interest groups and result in a focus on issues that are short term concerns of sections of the electorate rather than facilitating long-term investment by encouraging neutral and consistent reporting. We would prefer an accounting standard setting process that was independent of all short-term political influence.

Carve in and carve outs applied regionally across Europe or as options within the European Union would reduce global comparability and even comparability between European company reports. We would not support national or regional modifications to IFRS standards. This goes completely against the underlying idea of IFRS as a common international standard.

We do not believe that accounting standards are an effective economic policy tool, and we believe European economic interests will be best served by accounting standards that are established to be consistent across economic cycles. We believe that Regulators should make their own adjustments to accounts to ensure that they have the right controls over credit creation and risk in the banking system.



Financial reporting has to maintain its neutrality and objectivity to best serve the needs of long-term investors.

We agree that accounting should not be pro-cyclical; as we have already stated, in our view accounting standards should not change as we move through an economic cycle. We do not want to see an increase in the use of current ('fair') values in IFRS but we would prefer to achieve any adjustments to IFRS in this respect through the IASB's existing governance structures, rather than having piecemeal solutions that only apply to EU companies.

We do give support to some aspects of the report. We support the strengthening of EFRAG or an alternative body to provide a consolidated European view when interacting with the IASB – recognising that it is essential that it truly represents an agreed consensus position. We agree that the Technical Expert Group may well not accurately reflect the consensus views – in particular we believe that the “interests of users” is not the key consideration in their deliberations.

The Commission should obtain advice from EFRAG not just on technical endorsement criteria but also on whether the public interest is respected (i.e. that the standards do not endanger financial stability or hinder economic development of Europe).

The various changes to EU structures which are proposed (e.g. to ensure greater involvement of National Standard Setters from UK/France/Germany and a few others) are broadly welcome but our concern is the extent to which the process becomes more explicitly political. The recommendations include establishing a permanent ‘accounting’ rapporteur in the European Parliament; if this person understands the technicalities and takes a user-friendly perspective it could be very helpful but we believe the interests of users and the wider EU economy would not be well served if the person in this role took a short-term, politically motivated, approach.

We would like to make some additional observations on the report for context. We believe Europe should have an equal say in the direction of accounting standards with any other region which uses IFRS and should help work to a solution overall and standard by standard that is optimal for all. FASB involvement may need to be reduced with convergence being de-emphasised if the rest of the world is keen to move forward with IFRS improvements in certain areas, always bearing in mind that users are keen to ensure that accounts are globally comparable and so an on-going dialogue and joint projects should be encouraged.



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Finally we would like to note that we are disappointed by the lack of due process which seems to have been followed in the production of this report and in particular by the list of Users interviewed in the preparation of the report. While these three users are widely respected, there are many other user groups and individuals who we would have expected to have been included. We hope that before any changes are made in response to this report a very full impact assessment and consultation will be carried out.

About the Corporate Reporting Users' Forum (CRUF)

The CRUF came together in 2005 as a discussion forum to help its participants in their approach to the debate on current and future corporate reporting requirements. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters such as the IASB and FASB.

CRUF participants come from all around the world, including individuals from both buy- and sell-side institutions, and from both equity and fixed income markets.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. It does not seek to achieve consensus views, though at times some or all of its participants will agree to make joint representations to standard setters or to the media. It would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative.

We sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum (www.CRUF.com) and not as representatives of our respective organizations. The views expressed are those of individual CRUF participants and do not necessarily reflect the views of the respective organisations where we are employed.

The participants in the Forum that have specifically endorsed this response are listed below.

Yours sincerely

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Vice President – International Equity Research
S&P Capital IQ



The Corporate Reporting Users' Forum

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