



The Corporate Reporting Users' Forum

Sir David Tweedie
Chair
International Accounting Standards Board
First Floor
30 Cannon Street
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12th December 2008

Dear Sir David

We are writing in advance of the Board's meeting from December 15th-19th which will consider in part the issues related to IAS 39, and in particular the letter from the European Commission making three further requests with regard to that standard.

We are keen that the voices of users are heard in this debate. The IASB and the IASC Foundation both agree that International Financial Reporting Standards should be designed around the needs of providers of capital to reporting entities, and yet the voices of politicians and regulators – and often also the voices of certain preparers with particular individual agendas – have been heard more loudly than those of users. We understand from users who participated in the EU's meeting on October 21st that they do not feel that the Commission's letter reflects their views, as clearly stated to the meeting.

Due process

Crucial to the maintenance of user confidence in financial reporting is that the IASB sets standards according to due process so that the information that companies provide is relevant and useful to investors. We accept that the Board's decision to suspend due process in October and to amend IAS 39 may have been appropriate in order to remove the market distortions arising from the discrepancy

between US GAAP and IFRS. We do not believe it is a precedent that should be followed except in the most extreme circumstances.

We would therefore argue strongly against any further steps to set aside due process. The issues raised by the European Commission need to be considered with appropriate stakeholder consultation and review rather than rushed through. Any additional hasty moves risk further unsettling market confidence and so harming the financial interests of the millions of individuals who are our underlying clients.

The European Commission's proposals

Market confidence will best be served by standards which ensure that companies disclose accurately their financial performance. Standards that allow this information to be masked will leave uncertainty in the minds of investing institutions which is likely to lead to lower, not higher, valuations of the relevant preparers. It is crucial at this time of uncertainty that we move towards a situation where we can rebuild, not undermine, confidence in the market.

The Commission's proposals relate to highly technical areas and a limited set of assets. As such the request needs to be considered with care by appropriately skilled individuals. We believe that these issues are simply too abstruse for them to be addressed by the Commission's December 31st deadline.

We are thus clear that the issues raised by the European Commission in its letter do not merit setting aside due process to meet an artificial deadline. We would welcome their being addressed, but in a way that allows all relevant considerations to be taken into account. This means that there should be some form of public consultation, to allow the IASB's constituents both across the spectrum (users, preparers, etc) and across the globe to respond with their views, even if the consultation period were to be shorter than usual.



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Opening space in the IASB's agenda

We would note that investors have been raising concerns for some years over problems with IAS 39, and we believe that IASB members and staff were also aware of failings within the standard.

We strongly believe that there must be a more robust system for ensuring that the IASB's agenda reflects the needs of users. There have been occasions when the limited resources of the IASB staff have been expended on issues and standards which we do not believe need change, and there is a risk that these activities have distracted staff and the board from addressing genuine problems. We believe that it is a pity that the Board has been embarrassed by a standard which many acknowledged was weak and yet was left unreformed.

We intend to engage actively with the IASC Foundation to promote ways in which the agenda of the IASB can more effectively address the needs of users and solve problems in standards rather than be occupied by issues which are of limited concern or where standards are functioning satisfactorily.

We would welcome the opportunity to discuss further with you any of the points raised.

About the Corporate Reporting Users' Forum

The CRUF was formed in 2005 as a discussion forum with the aim of helping 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 the International Accounting Standards Board.

The CRUF is a discussion forum. Its participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organisations. It does not seek to achieve consensus views, though at times its participants will agree to make joint representations to standard setters or to the media.



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CRUF participants include individuals from both buy and sell-side institutions, and from both equity and fixed income markets. The forum includes individuals with global or regional responsibilities and from around the world. The CRUF meets on a regular basis in London, Frankfurt and Sydney with facilities for remote participation.

Yours sincerely

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