August 1, 2005

Mr. Thomas Seidenstein  
Director of Operations  
IASB  
30 Cannon Street  
London EC4M 6XH  
United Kingdom  
(Email: tseidenstein@iasb.org)

Dear Sir:

Re: IAA comments on the *Due Process of IASB, Draft Handbook of Consultative Arrangements*

In response to the request for comments to the *Due Process of IASB, Draft Handbook of Consultative Arrangements*, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

We believe that the IASB’s consultative arrangements are very important in enabling the IASB to achieve and maintain a set of high quality international standards for financial reporting. We encourage the continued efforts of the IASB to manage its due process and related procedures in a transparent manner. We are pleased to provide our commentary on the current draft. We hope that you find the attached comments to be of value.

These comments have been prepared by a committee of the IAA, the members of which are listed by name and association in the Appendix to this submission.

Yours sincerely,

Yves Guérard  
Secretary General

Attachment
THE INTERNATIONAL ACTUARIAL ASSOCIATION

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our fifty-two Full Member actuarial associations represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism around the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within, or likely to have an impact upon, the areas of expertise and practice of actuaries.

We are not a trade association and do not represent the interests of either clients or employers. As actuaries, we have developed significant experience and expertise in the assessment of the value of contingent cash flows. Using this experience, actuaries will continue to provide assistance to those involved in the enhancement of financial reporting standards to make them more useful to the users of financial statements.

IAA COMMENTS

The IAA appreciates this opportunity to provide input to the International Accounting Standards Committee Foundation regarding the Due Process of IASB, Draft Handbook of Consultative Arrangements. The IAA commends the continuing, very worthwhile efforts of the IASB to maintain its due process and related procedures in pursuit of a set of high quality globally accepted international financial reporting standards. The following are our comments corresponding to the sections of the Draft Handbook.

1. Paragraph 2. The role of the Trustees’ Procedures Committee is unclear from the description provided. First, are they to regularly review the due process or to update the documentation of the due process as included in this Handbook or as described in the Constitution? Second, it indicates that in addition to reviewing the due process, it also amends it – are they supposed to recommend amendments to the Trustees for them to change or do they have the responsibility for making amendments. And third, are such amendments subject to due process themselves?

2. Paragraph 10. The IAA recommends the addition of the phrase “or under the guidance of” after “by” in the second line. We don’t believe that it is desirable or practical for all such research to be conducted by the IASB staff.

3. Paragraph 11. It is unclear whether the documents referred to are just those of the IASB or includes those bodies referred to in paragraph 10. The IAA believes that this should be clarified to include all of those bodies referred to in paragraph 10.

4. Paragraph 12 and 13. The IAA believes that reference to field tests should also be included either in paragraph 12 or 13.

5. Paragraph 14. For clarity, “the IASB considers it to be” or “it considers it to be” in the first line after “where”.

6. Paragraph 17. Although it is clear that the Trustees are to conduct annual reviews of the Board’s performance, the frequency of the other duties described has not been sufficiently been referred to. It may be appropriate if the other functions are incorporated in the annual
reviews indicated, with the provision that if significant deviations arise in between the annual reviews, that such reviews would be conducted more frequently. In addition, the use of the word “ensures” regarding what in many cases will be a retrospective review – the wording should be improved, although the IASB should seek to ensure” or reword it to indicate that “the Trustees review the IASB procedures with the objective of ensuring compliance with its mandates.”

7. Paragraph 19. While the phrase “of value to all users” seems like an ideal objective, it may not be completely achievable, as various users have different needs. To make this objective more realistic, the “all” might be eliminated and adding “while recognizing that the needs of all users are not uniform”. Although the IAA is encouraged by the dialogue and the fact that relevant regulators can be official observers in Working Party meetings, expanded dialogue between the IASB and regulators may reduce overlapping requirements and clear and simple reconciliations are achievable.

8. Paragraph 20. Although the IAA notes that use of the word “most” is not necessarily the case, particularly in the case of financial institutions, i.e., the need for information for regulators or policyholders may in some cases be quite different than for investors. This point might be elaborated upon, possibly with a few examples.

9. Paragraph 21(a). It might be preferable to refer to “the degree of relevance and faithfulness”, rather than those as absolute concepts.

10. Paragraph 22. In the first sentence, it might be useful to indicate the frequency of the charge to its staff – is it intended on a regular basis, at least annually, or …? Also for editorial purposes, it might be useful to include a description here of who the partner standard-setters are (the first time referred to), rather than in paragraph 26.

11. Paragraph 26. Although the use of the word “supervision” may be okay, a better word such as “guidance” may be more appropriate, as supervision typically implies day-to-day operational management, which the IAA does not believe is intended.

12. Paragraph 29. It is unclear who would make up the project team – should it solely consist of IASB staff, or could it include, among others, staff from partner setters or suitably qualified external parties? Due to a lack of a sufficient number of internal staff, it might be appropriate to include additional resources where available and suitably qualified.

13. Paragraph 39. The IAA believes that the reference to “from any discussion paper…” should be “regarding any discussion paper…”.

14. Paragraph 45. Although the IAA understands the fact that all decisions regarding an IFRS are conducted by the Board during Board meetings, other aspects of the process of the development will be carried out by staff. This might be clarified to better describe what is done at the meetings.

15. Paragraph 49. Although the IAA recognizes the need to provide value to paying subscribers, consideration might be given to distributing near-final drafts somewhat wider, e.g., to those parties who commented on the exposure draft.
16. Paragraph 54, fourth bullet. The phrasing might be somewhat improved by use of “seriously impaired” rather than “suboptimal”, as the current phrase might be understating the possible implication.

17. Paragraph 55, first sub-bullet of the third bullet. The IAA suggests adding “unnecessarily” for “too”, as simplification of a complex financial issue is not necessarily an improvement.

18. Paragraph 66. The project manager might also be made responsible for facilitating the views of significant known constituents.

19. Paragraph 70. Although the IAA recognizes that certain items may not add any value to the observer notes, it would be useful if further guidance regarding criteria for such omissions were given here.

20. Paragraph 71. It isn’t clear what the intended distinction between educational and informational sessions and background briefings is being made. Are these with the Board members, who might the participants be, are these open, …?

21. Paragraph 75. First, the parenthetical phrase beginning “discussion” could be introduced with an “e.g.,” as these are examples. Second, it isn’t clear what happens if an insufficient level support are obtained – it might be useful to list some of the alternative options might be.

22. Paragraph 80. Although the IAA does not have any experience with the one day exposure period, we doubt if that is sufficient for any input in an international forum, particularly if it doesn’t refer to a working day – the IAA suggests two working days at the minimum.

23. Paragraph 84. For clarity, it might be useful to distinguish between interested parties, interested organizations and what type of organizations are being referred to in the last phrase of this paragraph.

24. Paragraph 88. It might be useful to indicate that the reasons given in the last phrase of this paragraph will be given to the SAC in writing for discussion at an SAC meeting.

25. Paragraph 90. It is not mentioned how a “major” project is identified. Is it up to the two directors or the Board or the SAC to decide what a major topic is?

26. Paragraph 107. This seems to indicate that cost/benefit testing is never possible. Although a thorough quantitative analysis may be difficult to achieve in many cases, it should not be ruled out, and in fact quantitative considerations should be encouraged to be developed where practical.

27. Paragraph 109. An additional area that could be included is the observer notes of IASB, IFRIC, SAC, and working group meetings.

28. Other
   a. There is no specific reference given to any particular efforts given to the consideration of the effect of IFRS standards on developing or small countries, or other parties not normally heard from.
b. Although there is a reference to educational efforts considered in paragraph 50 and in Appendix IV, it might be useful to mention that the IASB and its staff should consider and recommend to the Trustees issues for which it believes that the development of education programs and material might be of use. This may be particularly relevant in areas in which issues are brought to the attention of IFRIC or as an alternative to the develop

Again, along with other responders to this draft, the IAA appreciates the opportunity to express our views regarding this draft Understanding and hope these comments add value to the deliberations.
Appendix

Members of the IAA’s Insurance Accounting Committee

Sam Gutterman  Chair  
W. Paul McCrossan  Vice-chair  
Francis Ruygt  Vice-chair  
Clive Aaron  Institute of Actuaries of Australia  
William Abbott  Institute of Actuaries  
Yutaka Amino  Institute of Actuaries of Japan  
Victor Hugo Cesar Bagnati  Instituto Brasileiro de Atuária (IBA)  
Daniel Barron  Israel Association of Actuaries  
Ralph Blanchard  Casualty Actuarial Society  
Guy Castagnoli  Association Suisse des Actuaires  
Paolo De Angelis  Istituto Italiano degli Attuari  
Guillermo Ezcurra Lopez De La Garma  Instituto de Actuarios Españoles  
Angie Felipe Checa  Col.legi d’Actuaris de Catalunya  
Mark J Freedman  Society of Actuaries  
William Hines  American Academy of Actuaries  
Burton D Jay  Conference of Consulting Actuaries  
Antony John Jeffery  Society of Actuaries in Ireland  
Ad A.M. Kok  Het Actuarieel Genootschap  
Christoph Krischanitz  Aktuarvereinigung Österreichs (AVÖ)  
Kurt Lambrechts  Association Royale des Actuaires Belges  
Jean-Pierre Lassus  Institut des Actuaires  
Kristine Lomanovska  Latvijas Aktuaru Asociācija  
W Paul McCrossan  Canadian Institute of Actuaries/Institut Canadien des Actuaires  
Richard O’Sullivan  Society of Actuaries in Ireland  
Markku Paakkanen  Suomen Aktuaariyhdistys  
Venkatarama Rajagopalan  Actuarial Society of India  
Nithiarani Rajasingham  Singapore Actuarial Society  
Matthew Christopher Saker  Faculty of Actuaries  
Jaanus Sibul  Eesti Aktuaaride Liit  
Dieter Silbernagel  Deutsche Aktuarvereinigung e.V. (DAV)  
Bjarni Thórdarson  Félag Íslenksra Tryggingastærðfræðinga  
Tuomo Virolainen  Svenska Aktuarieföreningen  
Peter Andrew Withey  Actuarial Society of South Africa  
Kevin Yah  Actuarial Institute of the Republic of China  
Jesús Zúñiga San Martin  Colegio Nacional de Actuarios A.C.
**Appendix**

**Full Member Associations of the IAA**
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)  
Institute of Actuaries of Australia (Australia)  
Aktuarvereinigung Österreichs (AVÖ) (Austria)  
Association Royale des Actuaires Belges (Belgique)  
Instituto Brasileiro de Atuária (IBA) (Brazil)  
Canadian Institute of Actuaries/Institut Canadien des Actuaires (Canada)  
Hrvatsko Aktuarsko Društvo (Croatia)  
Cyprus Association of Actuaries (Cyprus)  
Ceská Společnost Aktuářů (Czech Republic)  
Den Danske Aktuarforening (Denmark)  
Egyptian Society of Actuaries (Egypt)  
Eesti Aktuaaride Liit (Estonia)  
Suomen Aktuaariyhdistys (Finland)  
Institut des Actuaires (France)  
Deutsche Aktuarvereinigung e. V. (DAV) (Germany)  
Hellenic Actuarial Society (Greece)  
Actuarial Society of Hong Kong (Hong Kong)  
Magyar Aktuárius Társaság (Hungary)  
Félag Íslenskra Tryggingsstærðfræðinga (Iceland)  
Actuarial Society of India (India)  
Society of Actuaries in Ireland (Ireland)  
Israel Association of Actuaries (Israel)  
Istituto Italiano degli Attuari (Italy)  
Institute of Actuaries of Japan (Japan)  
Japanese Society of Certified Pension Actuaries (Japan)  
Latvijas Aktuāru asociācija (Latvia)  
Lebanese Association of Actuaries (Lebanon)  
Persatuan Aktuari Malaysia (Malaysia)  
Colegio Nacional de Actuarios A. C. (Mexico)  
Het Actuarieel Genootschap (Netherlands)  
New Zealand Society of Actuaries (New Zealand)  
Den Norske Aktuarforening (Norway)  
Pakistan Society of Actuaries (Pakistan)  
Actuarial Society of the Philippines (Philippines)  
Polskie Stowarzyszenie Aktuarium (Poland)  
Instituto dos Actuários Portugueses (Portugal)  
Academia de Actuarios de Puerto Rico (Puerto Rico)  
Singapore Actuarial Society (Singapore)  
Slovensko Aktuarsko Drustvo (Slovenia)  
Actuarial Society of South Africa (South Africa)  
Col.legi d'Actuaris de Catalunya (Spain)  
Instituto de Actuarios Españoles (Spain)  
Svenska Aktuarieföreningen (Sweden)  
Association Suisse des Actuaires (Switzerland)  
Actuarial Institute of the Republic of China (Taipei)  
Faculty of Actuaries (United Kingdom)
Institute of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)