LIBA

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Carlo Comporti
Secretary General, CESR
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France

Sent via website: www.cesr.eu

Our Ref: ian/cesrequivalence5/ACC3/ACC20

Dear M Comporti

CESR's advice on the equivalence of Chinese, Japanese and US GAAPs

I am writing on behalf of LIBA (the London Investment Banking Association) to respond to the Consultation Paper on the equivalence of Chinese, Japanese and US GAAPs, which was posted on your website on 18 December ("the Paper"). LIBA is, as you will know, the principal UK trade association for investment banks and securities houses; a list of our members is attached.

As I indicated informally at the 21 January Open Hearing on this topic, LIBA welcomes the change of emphasis which is explained in the Paper, under which CESR proposes that future decisions on equivalence should be based "on an holistic assessment of the ability of investors to make similar decisions on investments irrespective of the existence of potential lingering differences in presentation and measurement, as long as … there is evidence of (a sensible convergence programme) being actively pursued". It follows that we also support the specific proposed advice to the Commission in respect of US GAAP, Japanese GAAP, and Chinese GAAP.

We do however think it important that CESR should adopt a relatively strict interpretation of the remaining conditions it has set (in paragraphs 6-10 and 14 respectively) for agreeing to the equivalence of Japanese and Chinese GAAP. Specifically that:

- "the ASBJ is successful in achieving its objectives … of achieving substantial elements of convergence by the end of 2008" through the "issuance of three standards by the end of 2007 and the issuance of 8 standards by the end of 2008"; and that

- a final decision on Chinese GAAP should be postponed "until there is more information on the issues summarised in paragraphs 12 and 13 of the paper".

We welcome the discussion in paragraphs 45 to 51 of the paper which demonstrate how CESR believe the FASB and IASB have addressed issues raised in CESR's previous advice. We strongly encourage CESR to be similarly transparent in the future by publishing at the appropriate point its assessment and conclusion as to how recommendations raised in this Paper with respect to Japanese and Chinese GAAPs have been taken up, and to provide further opportunity for public consultation at that stage.

I hope you will find these comments to be helpful; please let me know if there are any aspects of these comments which are unclear, or where CESR might find it useful for LIBA to provide further information.

Yours sincerely

Ian Harrison
Director

LONDON INVESTMENT BANKING ASSOCIATION

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