

2 June 2005

**COMMENT LETTER: CESR DRAFT TECHNICAL ADVICE ON EQUIVALENCE
OF THIRD COUNTRY GAAP**

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to submit its written comments to CESR on its draft Technical Advice on the Equivalence of Third Country GAAP.

The Institute believes strongly in the benefits to business and investors of global standards. High quality and neutral global accounting standards, consistently applied and rigorously enforced, will deliver the transparent and comparable financial information required by investors in the capital markets. The Institute is the largest accountancy body in Europe, with more than 126,000 members operating in business, public practice and within the investor community. The Institute operates under a Royal Charter, working in the public interest.

We welcome the European Commission's initiative in commissioning CESR to review the equivalence of third country GAAP to IFRS and recognise that this constitutes the first step in what is an important on-going process towards full convergence of global accounting and auditing frameworks. We have not had sufficient time to analyse in detail the advice drafted by CESR on the equivalence of Canadian, US and Japanese GAAP to IFRS. However, we have set out below a number of observations on the general approach adopted by CESR.

We support the pragmatic approach adopted by CESR and the acknowledgement that in all but the most exceptional circumstances a reconciliation to IFRS will not be required for entities producing financial statements under an equivalent accounting, auditing and regulatory framework. However, we would like to highlight the practical implications for entities and their auditors when determining and attesting that all significant differences from IFRS have been included in the financial statements. In certain jurisdictions, this may in practice force an entity to maintain a second set of accounting records on a full IFRS basis. The costs involved are likely to outweigh the resulting benefits. We recommend that CESR provide additional clarification to paragraphs 13 and 17 to address this point and suggest that CESR states explicitly that a remedy need not be applied to all material differences where that difference is not significant to an investor's decision-making process.

We would also urge CESR to clarify the role of the auditor in ensuring equivalence. In particular, CESR should consult on the level of audit assurance required to attest that the entity has identified, reported and remedied all significant differences from IFRS, the adequacy of the auditing and framework in which the work is undertaken and the European Commission's position in relation to audits conducted in third countries under auditing standards other than ISAs.

Finally, we encourage CESR and the European Commission to implement this advice in a timely and practical manner, as this will provide entities with a greater understanding of the requirements that will be placed upon them from 1 January 2007 and allow them to start work to address them.

We would be pleased to provide CESR with any further information or clarification.

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