Mr Fabrice Demarigny
Secretary General
CESR
11-13 avenue de Friedland

F-75008 Paris

Düsseldorf, 24 November 2003
435/520

Dear Fabrice,

Re.: Consultation Paper – European Regulation on the Application of IFRS in 2005 – Draft Recommendation for Additional Guidance regarding the Transition to IFRS

We appreciate the opportunity to comment on the draft recommendation for additional guidance regarding the transition to IFRS.

The IDW supports CESR's intention to encourage companies to prepare for the transition to IFRS in due course and to inform the capital market thereon. However, since this information could be price sensitive, the provision of information should meet several conditions as explained in the following paragraphs.

1. We are of the opinion, that any information on the transition process should be given careful consideration, and should only be supplied, when it can be expected to benefit the addresses and to facilitate a proper understanding of the transition process to IFRS. In particular quantitative information should only be released when it is of high quality and reliability and provides a comprehensive picture. These requirements will only be met once the first financial statements have been prepared in accordance with IFRS. Quantitative information released before is necessarily of a premature and partial character and cannot reflect the full implications of the transition to IFRS. Actually it seems quite unrealistic to

require such information from companies when standards to be implemented have not yet become part of the European legal framework.

In addition, this information will not be available on a sufficiently reliable basis until it has firstly undergone the proper due process within the company and then been audited or reviewed by the auditor. In this context and against this background, we would like to call into question, what kind of assurance could, in fact, be realistically given by an auditor, who has audited or reviewed such information. Furthermore, issues relating to auditor liability would have to be resolved.

The release of quantitative information before the first financial statements prepared under IFRS have been published will lead to the necessity of revising this information during the course of the transition process and, consequently, will complicate and reduce comparability. Thus the understanding and confidence of IFRS will be undermined in the end.

Therefore, we strongly believe that companies should not be forced to give any quantitative information on the current transition process. They might do so on a voluntary basis when they feel themselves to be sufficiently prepared.

Particularly in regard to question 5, we therefore strongly disagree with the view that quantitative information on the process of transition to IFRS should be given as soon as possible before disclosure of the first financial statements prepared under IFRS.

With regard to question 4 we agree that encouragement should be given to companies to prepare for the transition to IFRS and to publicise narrative information about the transition and the degree of progress achieved. We do not consider it appropriate that CESR should mandate either where or how this narrative information is to be disclosed. In our opinion the information could be part of the annual report or preliminary results announcements or it could be subject to a separate market disclosure.

2. IFRS 1 is a comprehensive accounting standard for transition to IFRS, which contains detailed rules for accounting and disclosure. Any additional guidance from CESR should be both based on, and be in line with this. Therefore, CESR’s recommendations have to be considered critically whether they impose requirements that go beyond IAS Regulation and IFRS 1. In this regard we would like to address the following issues:

a) The presentation of comparative information for corresponding periods as addressed in question 10 contains possibilities that would go beyond IFRS 1.

b) With regard to question 6, we suggest that CESR's recommendations should take into account, that the Implementation Guidance published by IASB is not an officially endorsed part of IFRS 1.

c) In cases where IFRS provide concessions e.g. regarding IAS 32/IAS 39, these should not be modified through CESR's guidance.

In this context we would again refer to statements in CESR Standard No. 1 and Draft Standard No. 2 that CESR is not a standard setter and should not be involved in standard setting: "Issuing general interpretations of the existing standards is part of the standard setting process conducted by the relevant bodies, such as IFRIC. Enforcers may contribute to this process by providing their experience to the interpretation debate. However, harmonization requires that they should not attempt to create a parallel body of interpretations".

Therefore, with regard to question 1, CESR should be careful not to exceed its remit in issuing recommendations on how to disclose financial information.

3. The IAS Regulation requires the initial application of IFRS for the financial statements as of the year 2005. We are of the opinion that in some cases it would not be appropriate to require application of IFRS in respect of the interim financial statements during the year 2005. In particular, those companies publishing interim information for the first time would be unduly burdened by such a requirement.

4. The transition to IFRS is very complex and challenging for the companies. We, therefore, want to strongly encourage CESR to discuss all the problems in the process of first time application of IFRS with representatives of the companies concerned and to assess whether proposed CESR recommendation is feasible in practice.

We would be pleased to discuss any aspect of this letter you may wish to raise.

Yours sincerely,

Prof. Dr. Naumann
Chief Executive Officer