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8 May 2007

11-13
Avenue de Frieland 75008
Paris, France

Dear Sir or Madam:

The Korea Accounting Standards Board (KASB) is sending its comments on CESR's technical advice on a mechanism for determining the equivalence of the generally accepted accounting principles of third countries.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may direct your inquiries either to myself (hilee@kasb.or.kr) or to Mr. Won-Hee Han (hanster@kasb.or.kr), researcher of KASB

Yours sincerely,



Dr. Hyoik Lee
Chairman, Korea Accounting Standards Board

Cc: Hyoik Lee, Chairman of KASB
Sungsoo Kwon, Director of Research Department

Encl.

LHI/hwh

KASB comments on CESR' technical advice on a mechanism for determining the equivalence of third countries GAAP

Question 1: do you agree that CESR's suggested method for handling applications for equivalence is the best way? In cases where the standard setter is not in a position to initiate and/or substantiate an application, do you have any concrete suggestions as regards the solution of such a situation and in particular, who could undertake the abovementioned assessments?

We agree that the process for determining equivalence should be initiated by an application to the European Commission by national standard setters.

However, we do not agree with the way that standard setter should provide additional disclosure requirement for rectification in cases where the standard setter identifies significant differences. This paper suggests that such additional disclosure should be non-complex, but we believe that the criteria for non-complexity could vary with companies. Therefore, we believe that national standard setters are not in the position to determine whether disclosure requirement is non-complex or not. Moreover, it seems to be difficult to determine the threshold of non-complexity without further guidance.

Question 2: do you think that CESR should publish guidance on the information that it would consider satisfactory to ensure an informed decision?

We think that CESR should issue guidance on the information it would expect from local standard setters. In particular, we believe that specific guidance on threshold of non-complexity which was suggested for rectification is necessary.

Further to the matter of non-complexity, we think that it would be better to follow the approach as required by CESR/05-230b than to determine disclosure based on non-complexity criteria. According to CESR/05-230b, standard setters of three countries provided GAAP difference which is remedied by disclosure A, disclosure B, or supplementary statements. Thus we would like to propose that the national standard setters in other countries provide information as regards GAAP difference based on the same classification as in CESR/05-230b.

Question 3: Which of the two approaches indicated above (and in the Appendices) do you think is most appropriate? Please provide your reasons.

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We think that the alternative model should also be accepted for determining the equivalence. The reason is that convergence or adoption programme is the proof that the countries of such programme are making endeavour towards single global accounting standard. Therefore, it would not be unfair to recognize such programmes for determining equivalence. Furthermore, when the information required for equivalence and the information required for such programmes are different, standard setters would have to prepare similar information on different basis, which would incur unnecessary costs.

Question 4: recital 8 of the Commission Regulation 1787/2006 and recital 7 of the Commission Decision 2006/891/EC of 4 December 2006 state that “the progress of the convergence process should be closely examined before any decision on equivalence is taken”. Do you think the existence of a convergence programme between the assessed third country” GAAP and IFRS should play any role in the determination of equivalence, other than facilitating the comparison between the standards and identifying the necessary rectifications?

We think that convergence programme should be considered for the determination of equivalence as we already explained in question 3.

Question 5: Do you agree that filters are important and that they should be reflected in any equivalence mechanism? If so, do you think the CESR's model correctly reflects how consideration of the filters should be incorporated into the mechanism?

We agree that filters are important and that they should be reflected in any equivalence mechanism.

However, we would like to point out that the diagram does not reflect the content of paragraph 29, which states that the GAAP of a country which does not comply with the 8th Directive can still be deemed equivalent. Hence, we believe that the diagram needs to be modified to reflect this to avoid any confusion.

As we found the information as regards enforcement system in three countries published in CESR/05/230b is descriptive without including regulator's evaluation of the system, we would also like to suggest that the information as regards filters needs to be evaluated by the national regulators

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and it should be included in official paper for determining equivalence.

Question 6: Do you agree with this proposal? Do you have any suggestions as regards the procedure for providing the envisaged impact assessments which avoids a period of uncertainty for issuers while these are being made?

We would like you to clarify what information is needed for impact assessments because it is not clear what is different between the impact assessments for new standards and the GAAP difference which is required for the initial application for equivalence. In addition, we believe that impact assessment is also necessary for the change of filters, which could be submitted by national regulators.

Apart from the comments on the questions above, we would like to confirm the meaning of 'transitional period until January 2009'. In the case of a company whose balance sheet date is 31 December, if the GAAP of its country is not deemed equivalent, will the financial statements for 2010 be the first financial statements that should be prepared in accordance with IFRS or will the year of 2009 be the first year for that purpose? We would very much appreciate if you clarify on this issue and let us know through either email or any form of public statements.