



European Federation of Accountants and Auditors for SMEs

EFRAG
Mr Göran Tidström
13/14 avenue des Arts
1210 Brussels
Belgium

Brussels, 22 September 2008

Dear Mr Tidström,

Re.: Strengthening the European contribution to the international standard-setting process

The European Federation of Accountants and Auditors for SMEs (EFAA) represents accountants and auditors providing professional services primarily to small and medium-sized entities both within the European Union and Europe as a whole. Constituents are mainly small practitioners (SMPs), including a significant number of sole practitioners. EFAA's members, therefore, are both SMEs themselves, and provide a range of professional services (e.g. audit, accounting, book-keeping, tax and business advice) to SMEs.

EFAA welcomes the idea of "strengthening the European contribution to the international standard setting process" and of having EFRAG as the vehicle to fulfil those goals. As indicated rightly in the consultation paper EFRAG has been involved in the standard setting process in Europe since its foundation with the specific aim to be the liaison between the IASB and the EC. This first objective of EFRAG was successfully achieved during the process of endorsing IFRS at the European level for consolidated accounts of listed companies. More recently EFRAG had the opportunity to issue very important comments on the IASB ED on IFRS for SME, and by doing this EFRAG started focusing more on SME issues. In the meantime Europe is now considering "simplifying" administrative burdens for SMEs and proposals are in place that refer specifically to financial reporting. It seems therefore that this is the right moment to strengthen EFRAG role and structure in order to assure that the European voices on financial reporting are properly heard at international level and well co-ordinated.

EFAA welcomes the new approach on the role of EFRAG depicted in the consultation paper, especially with regard to the expressed desire to evolve EFRAG from the originally requested re-active role to IASB to a new generally desired pro-active role at European level.



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The standard setting process in Europe is a complex matter influenced by a number of peculiarities coming from different cultural national backgrounds. EFRAG can play a significant role in directing the differences into a common field of action in order to assure better harmonisation and more effective financial reporting for all the companies.

In this regard it seems to EFAA that SMEs deserve more attention at all levels. While at international level and at European level the big companies perspective and the stock market interests continue to play a substantial role and attract the attention of regulators, preparers, investors and other stakeholders, it should not be forgotten that this important sector only represents 1% of the enterprises. At European level the EC still considers the "think small first" motto as a leading concept. Financial reporting at the non listed companies level is an important issue in particular because of the very diversified composition of the SMEs market (from very large to very small companies) and for the undoubted existence of differences in the nature of the users and of their needs. The different approach that stakeholders adopt in taking economic decisions at the SME businesses level should be accompanied by the best tailored financial reporting framework. In consideration of the existence of 27 possibly different cultural approaches, EFRAG can constitute the right place in which these different interests merge and turn into a very efficient model.

EFAA therefore believes that within the new and better structured and financed EFRAG a particular space should be permanently dedicated to SME/SMP issues. A way to achieve this important objective could be to set up a permanent SME/SMP focus group made of experts specifically skilled on SME issues and carrying specific SME background. This will facilitate the experts to practically apply the "think small first" approach by default.

The more SME/SMP focused EFRAG should reflect also into a larger SME representation at the SB board and in the TEG.

EFAA has no particular comments on the new proposed EFRAG governance.

Sincerely yours,

Federico Diomeda
President