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IASB's exposure draft on Proposed Amendments to IAS 24 Related Parties Disclosures

Dear Mr. Enevoldsen,

The Committee of European Securities Regulators (CESR), through its standing committee on financial reporting (CESR-Fin), considered EFRAG's draft comment letter on the Exposure Draft of Proposed Amendments to IAS 24 "*State - controlled Entities and the Definition of a Related Party*".

We thank you for the opportunity to comment on your draft comment letter. With respect to the proposed amendments to IAS 24 we have the following observations:

- CESR-Fin understands the reasoning for the amendment of IAS 24 that often, the cost of disclosing transactions with entities that are related simply because of control or significant influence by the state will outweigh the benefits obtained from disclosure of the information. However, we believe that the same conclusion could reasonably have been reached by the IASB where entities are related simply because of control or significant influence in other situations. In addition, we like to emphasize our concerns that the proposed exemption from the disclosure requirements of paragraph 17, may permit some state-controlled or state-influenced entities to take advantage of the exemption when it is not appropriate to do so, and may preclude other entities from qualifying for the exemption. In particular the first situation could lead to a decline in, in many cases relevant, information on related parties by such entities, also in Europe.
- In this context, we support the suggestion of EFRAG to develop a principles-based exception, rather than focusing solely on reporting entities controlled or significantly influenced by a state.
- In addition, from our perspective it is unclear to which extent the exception and the indicators are operable. On one hand paragraphs 17C and 17D suggest that judgment should be applied by a reporting entity in determining whether the influence referred to in paragraph 17A (b) exists, on the other hand the rule of paragraph 17A(b) and the indicators in paragraph 17B seem to be determinative. Therefore we share the comment of EFRAG that a clear underlying principle is missing.
- Even if we agree that the definition of a related party should be clarified, we believe that the Board should provide a principles-based definition of a related party. This seems to be a



more proportionate way to deal with the entire issue, compared to the exhaustive list of related parties in the proposal on hand which is difficult to analyse and to understand.

I should be happy to discuss all these issues further with you.

Yours sincerely,

Paul Koster
Chairman of CESR-Fin