I am responding to the 'Getting a better conceptual framwork: prudence' Bulletin.

a) I prefer to focus on recognition and measurement. 'General exercise of caution' is too vague to be helpful.

b) Prudence should be explicitly discussed. In my view the current conceptual framework outlaws prudence and standards derived from it are therefore likely to be in conflict with EU Law.

Prudence can be regarded as requiring a higher degree of certainty in recognising gains than recognising losses which is generally reflected in more timely recognition of losses. I would be happy to see the realisation principle reasserted particularly for gains on financial assets and liabilities. (This would have systemic benefits that have not been considered in the debate.)

'Freedom from bias' and 'neutrality' are both ambiguous concepts. In the sense of 'partiality' (favouring one set of individuals over another) neutrality is desirable. However in the sense of statistical unbiasedness these characteristics are not generally desirable. In two cases a biased estimator may be preferable to an unbiased one

1) where the biased estimator has a lower error than the biased one
2) where the user has an asymmetric loss function (eg is risk averse, as is generally the case).

I have no further comments at this time. Please contact me if you would like elaboration or further views
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