



LONDON INVESTMENT BANKING ASSOCIATION
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29 September 2008

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

By email to: commentletters@iasb.org

Dear Sirs

**IASB ED: An improved Conceptual Framework for Financial Reporting
Chapters 1 & 2**

I am writing on behalf of LIBA (the London Investment Banking Association) to comment on the IASB Exposure Draft - An improved Conceptual Framework for Financial Reporting: Chapter 1 – The Objective of Financial Reporting and Chapter 2 – Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information (“the ED”), which was published on 29 May. LIBA is, as you know, the principal UK trade association for investment banks and securities houses; a list of our members is attached.

As noted in our 17 October 2006 letter on the “Preliminary Views” Discussion Paper on these two chapters (“the DP”), we believe the establishment of a sound common conceptual framework is an essential prerequisite to achieving practical convergence between IFRS and US GAAP. We therefore welcome the opportunity to comment on this ED, which – like the DP – we find to be well-written and well-argued.

Subject to the relatively minor comments below, we support the proposed text of Chapters 1 and 2; we particularly endorse the proposal (in Paragraphs OB05-08) to identify capital providers as the primary user group for financial reporting.

We have two comments on the proposed wording in Chapter 2:

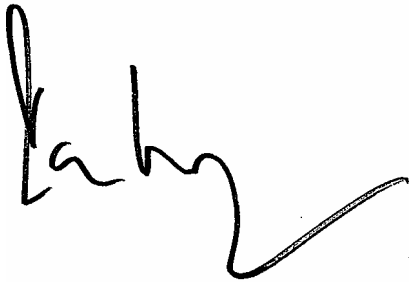
- * Consistent with the view expressed in our October 2006 letter, we remain concerned that the new concept of “faithful representation” may appear weaker than the well-established concepts of “substance over form” and “true and fair view” which it is proposed to replace. While it is clear from Paragraphs BC 2.18-19 and BC 2.36-37 that this is not intended, we think it is essential that this point be made clear in the main text of the Framework. We therefore recommend that the “faithful representation” concept be strengthened by including in Chapter 2 (perhaps in Paragraph QC7) wording along the following lines: “For the avoidance of doubt, *representational faithfulness leaves no*

room for accounting representations that subordinate substance to form or that fail to show what is frequently described as a true and fair view.¹”

- * We find the definition of “completeness” to be uncomfortably circular: Paragraph QC7 states that faithful representation “is attained when the depiction of an economic phenomenon is complete ...”, while Paragraph QC9 defines a “complete” depiction as one that “includes all information that is necessary for faithful representation...”. This problem could be avoided by defining “completeness” by reference to the concept of decision-usefulness (see Paragraph OB9), perhaps along the following lines: “A depiction of an economic phenomenon is *complete* if it includes all information which relates to that phenomenon that is necessary for capital providers to make decisions”.

I hope that the above comments are helpful. We would of course be very pleased to expand on any particular points if there are aspects which you find unclear, or where you would like further details of our views.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Harrison', with a long, sweeping tail extending to the right.

Ian Harrison
Director

¹ Italicised wording is taken from Paragraph 160 of FASB Concept Statement 2; the “true and fair view” wording paraphrases part of Paragraph 46 of the IASB Framework.

LONDON INVESTMENT BANKING ASSOCIATION

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