

Trustees of the IFRS Foundation  
30 Cannon Street  
London  
EC4M 6XH

30 November 2010

Dear Trustees

**Invitation to comment – *The annual improvements process: Proposals to amend the Due Process Handbook for the IASB***

The global organisation of Ernst & Young is pleased to respond to the above proposals issued by the IFRS Foundation. We welcome the efforts of the Trustees towards enhancing the due process of the IASB and we generally support the proposed criteria for annual improvements to IFRSs.

Nevertheless, in the wider context, we have concerns on how the proposals link in to the role of the IFRS Interpretations Committee (Interpretations Committee).

*Guideline to the IFRS Interpretations Committee*

The Interpretations Committee has recently been charged with the responsibility for deliberating and recommending amendments to IFRS through the annual improvements process. In this regard, we note that there is an overlap between the criteria for developing interpretations and the proposed criteria for annual improvements to IFRSs. Given that the same body (i.e. the Interpretations Committee) is now responsible for both – interpretations and annual improvements, and given that the Board's approval and due process are required for both pronouncements, we believe that what is actually needed is an overall guideline that provides a steer to the Interpretations Committee. The Interpretations Committee should then have the flexibility to determine the most effective way to deal with an issue – either by way of an interpretation or an annual improvement.

*Specific matters*

In addition to the above broader concern, we have a couple of detailed comments:

- ▶ We agree with the proposed paragraph 65A(a)(ii) stating that 'a correcting amendment does not propose a new principle or a change to an existing principle'. However, we do not agree with this paragraph when it states that the amendment 'may create an exception from an existing principle'. Although such exceptions may need to be made on an infrequent basis, we believe that exceptions to a principle should be made through a separate project of the IASB rather than through the annual improvements process.
- ▶ The proposed amendment places paragraph 27A in *Stage 2: Project planning* of the IASB Due Process Handbook. We believe that this paragraph should form part *Stage 1: Setting the agenda*.

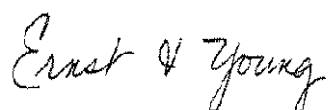
*Agenda decisions*

On a slightly different note, we also have a comment on the agenda decisions issued by the Interpretations Committee. Whilst the agenda decisions issued by the Interpretations Committee are undoubtedly helpful, we believe their status within the suite of IFRS pronouncements is unclear. There is also a further issue around the retrievability of the agenda decisions. This lack of clarity causes significant confusion amongst constituents. We also believe that, in many instances, constituents would be better served if the Interpretations Committee is able to issue interpretations (rather than agenda decisions) within a limited timeframe, which was the case with IFRIC 19.

We therefore strongly urge the IFRS Foundation and the IASB to consider the above matters in the broader context when determining the changes that are required to enhance the due process.

Should you wish to discuss the contents of this letter with us, please contact Ruth Picker or Leo van der Tas on +44 (0) 20 7951 3152.

Yours faithfully

The image shows a handwritten signature in black ink that reads "Ernst & Young". The signature is written in a cursive, flowing style.