

Mr. Thomas Seidenstein
International Accounting Standards Committee
Foundation
30 Cannon Street
London
EC4M 6XH

3rd October 2006

Draft Due Process Handbook for the IFRIC

Dear Mr. Seidenstein,

We welcome the opportunity to comment on the above mentioned Draft Due Process Handbook for the IFRIC.

We are concerned that some issues have not been well identified and might prevent this Draft Handbook from being as relevant as it should be:

- We believe the Agenda Committee should consist of IFRIC members that are representative of the composition of the IFRIC itself (background and geographical representation). Besides, it should not be possible to be re-selected by the Chairman for another term within a single term on the IFRIC. Moreover, we believe the Agenda Committee should meet in public. Lastly, all the issues submitted to the IASB should be made public via the IASB website so that the public knows not only the issues proposed by the Agenda Committee to the IFRIC agenda but all the issues raised and their status.
- We believe that as long as one of the technical criteria is met (from (a) to (d)), criteria (d) and (e) should not interfere with the IFRIC assessment as to whether an issue should be added to the agenda or not. Besides, the Agenda criteria (b) should be removed from the Draft Handbook since it may lead to unfounded decisions on whether an issue indicates that significantly divergent interpretations exist or not.
- Regarding issues not added to the IFRIC agenda, we are concerned that wordings for rejections give too much technical information and thus tend to be considered by the public as interpretations, whereas they should not lead to corrections of errors. Besides, given their justification, there should not be many wordings for rejections. When an issue nonetheless needs clarification but is narrow enough so that it does not require an interpretation by the IFRIC, we propose that the IFRIC issue a guidance that may be taken up by the IASB while implementing the procedure related to making non-urgent,

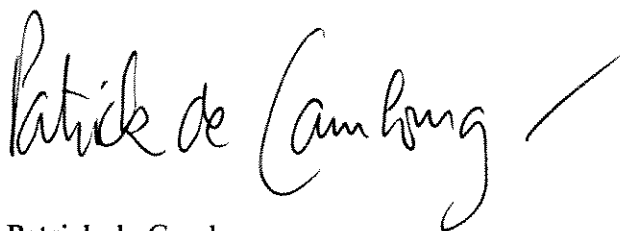
minor amendments to standards, by means of developing further implementation guidance. Besides, we would recommend that decisions for not adding an issue to the IFRIC agenda be made at least by a two-thirds majority.

- Overall, we agree with the way relationship with national standard-setters and interpretative groups are considered.

Our full answers to the detailed questions raised in the Draft Handbook issued by the IASCF are presented in the attached appendix.

We would be pleased to discuss our comments with you and are at your disposal should you require further clarification or additional information.

Yours sincerely



Patrick de Cambourg

Chairman of the Group Executive Board

DRAFT DUE PROCESS HANDBOOK FOR THE IFRIC

Question 1 – Agenda Committee

The Agenda Committee assists the IASB staff in presenting issues to the IFRIC so that the IFRIC can decide whether to add an issue to its agenda (paragraph 23). The Agenda Committee is not a decision-making body and does not meet in public (paragraph 26). The Agenda Committee reports to the IFRIC at its regular meetings on the issues the Agenda Committee considered and the Agenda Committee's recommendation on each issue (paragraph 27).

Do you agree with the Agenda Committee process described in paragraphs 23–27? If not, what changes do you propose, and why?

In our view, the Agenda Committee is *de facto* the Committee which makes the decisions about adding an issue or not to the IFRIC agenda. Actually, since there is a lack of time for studying in great details all the issues submitted to the IFRIC, the Agenda Committee's recommendations influence greatly members of the IFRIC.

To limit the Agenda Committee's influence on the IFRIC and to improve the Agenda Committee process, we believe that the Draft Handbook should take into account the following points:

- Since the members of the IFRIC would normally include accountants in industry and public practice and users of financial statements, with a reasonably broad geographical representation, the composition of the Agenda Committee should as far as possible be representative of the composition of the IFRIC, which has not been the case for many years.
- To guarantee the independence of its members' views, we believe the four selected IFRIC members should not be able to have two consecutive terms on the Agenda Committee (renewal being currently possible within a single term on the IFRIC).
- Given the impact of the Agenda Committee process on the IFRIC process, it is essential to us that the Agenda Committee meet in public to increase the transparency of the Agenda Committee's debates.
- Since new items are brought to the public attention only when the IFRIC assesses adding them to its agenda, all the items submitted to the IASB staff are not immediately made public. In our opinion, all new potential agenda items and their status should be available on the IASB website, even if the Agenda Committee has not yet presented these issues to the IFRIC.
- Since the IASB staff can consider whether an item meets the agenda criteria, we believe the respective roles of the IASB staff and the Agenda Committee in the selection of issues should be clarified.

Question 2 – Agenda criteria

The IFRIC assesses proposed agenda items against the criteria listed in paragraph 28. For inclusion in the agenda an issue does not have to satisfy all the criteria.

Do you agree with the agenda criteria listed in paragraph 28? If not, please specify the criteria you would add, alter or delete, and explain why.

We overall agree with the criteria listed in paragraph 28 even if we have two main comments.

Firstly, we would recommend making a distinction between the criteria that truly enable assessing the content of the question raised (criteria (a), (b), (c) and (d)) and the criteria that are related not to the question itself but to the IFRIC due process (criteria (e) and (f)). Actually, we believe that as long as a question qualifies for one of the criteria ranging from (a) to (d), it should be added to the IFRIC agenda.

Secondly, we would prefer criterion (b) to be removed. Actually, assessing to what extent an issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice) is quite difficult when the issue relates to a narrow application. Thus, we believe there is a risk of the IFRIC rejecting an issue too quickly, since assessing agenda items against this criterion requires first to check on the existence of such significantly divergent interpretations beyond the issue raised by a single individual or organisation. The IFRIC's relationship with national standard-setters and interpretative groups (Question 4) may help assessing the need for an interpretation when it is unclear whether an issue raised is symptomatic of the existence of significantly divergent interpretations.

Question 3 – Consultation regarding issues not added to the IFRIC agenda

A consultative period applies to issues that are not added to the agenda. The draft reason for not adding an item to the agenda is published in IFRIC Update and electronically on the IASB Website with a comment period of about 30 days.

Do you agree with the consultative process for issues that are not added to the IFRIC agenda? If not, what changes do you propose, and why?

In our opinion, since many issues are not added to the IFRIC agenda, the consultative process should be improved, firstly by increasing the length of the comment period since we believe 30 days is too short.

Secondly, even if the following comment goes beyond the invitation to comment on question 3 as it is stated, we would like to express our concern related to the way wordings for rejections are developed. Actually, these wordings for rejections are often justified by the fact that the standard is clear. This statement does not prevent the IFRIC from giving further technical content to wordings for rejection which thus tend to be considered by the public as interpretative. When the IFRIC does not add an item to its agenda, we strongly recommend

that the justification for doing so should be as short as it can be, and only by reference to the agenda criteria listed in paragraph 28. Besides, in practice, we do not expect many issues to be subject to wordings for rejections since this would mean that most issues are not relevant. Finally, wordings for rejection should not imply corrections of errors since they are not supposed to deal with different guidance from what is written in the IFRSs.

Thirdly, when an issue is not added to the IFRIC agenda, but when this issue needs nonetheless clarification, we propose that the IFRIC provide the Board with a proposed implementation guidance, so that the IASB can add it through the procedure related to making non-urgent, minor amendments to standards. Thus, this guidance would not be mandatory.

Finally, we consider that it is necessary that a significant majority of IFRIC members be gathered to be in a position not to put an issue on the IFRIC agenda. Actually, we believe that as long as some IFRIC members find that a standard needs clarification, it implies that the concerned IFRS is not clear enough. We would then propose that a decision of not adding an issue onto the IFRIC agenda be made at least by a two-thirds majority.

Question 4 – Relationship with national standard-setters and interpretative groups

The IFRIC's relationship with national standard-setters (NSSs) and interpretative groups (NIGs) is described in paragraphs 54 and 55.

- (a) Do you agree that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC? If not, why not?
- (b) Do you agree that the IFRIC should not consider local interpretations and comment on whether they are either consistent or inconsistent with IFRSs? If you disagree, please explain why.

We agree that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC since the IFRIC is intended to cover all interpretative issues encountered worldwide following the application of IFRSs. We believe however that the coordination process between the IFRIC and NSSs and NIGs can be improved. For instance, the IFRIC Agenda Committee could systematically consult the concerned NSSs and NIGs when preparing the presentation of a specific related national issue to the IFRIC, to reinforce the accuracy and the relevance of the way this issue is considered.

Finally, we agree that the IFRIC should not consider local interpretations and comment on whether they are consistent or inconsistent with IFRSs.