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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 19 July 2006, London

**Project: Process for non-urgent, minor amendments to standards
(Agenda Paper 10)**

Introduction

1. Changes to standards, however small, are time-consuming for the Board and burdensome for constituents. With the intention of easing the burden for all concerned, this paper proposes a process for dealing with non-urgent, minor amendments to standards.
2. Currently, the Board does not have a separate process in place for dealing with non-urgent, minor amendments to standards. Only when a larger project is conducted are issues of this nature also resolved. Given the recent issue of the *Due Process Handbook for the IASB*, the staff believes that this is an appropriate time to design a process for dealing with non-urgent, minor amendments, operating within the boundaries of the handbook.

Staff recommendation

3. The staff recommend that the Board formally adopts the proposed process for dealing with non-urgent, minor amendments to standards.

Background

4. At its meeting in November 2005, the Board discussed the desirability of adopting a policy for making timely ‘technical corrections’ to standards. The Board rejected the idea of creating a new category of pronouncements on the grounds that technical corrections could be accommodated within existing due process.
5. The staff do not wish to develop a technical corrections policy or a minor amendments policy. Nevertheless, the staff believe that it would benefit both the Board and its constituents if an orderly process were developed for making small changes to standards that are worthwhile improvements but not urgent.
6. Currently, there are several projects that might benefit from such a process, for example:
 - IAS 33 – clarify the definition of contingently issuable shares;
 - IFRS 1 – cost of an investment in a subsidiary on first time adoption to IFRSs;
 - IAS 24 – changes to related party disclosures for State controlled entities; and
 - IAS 24 – inclusion of new class of related party.

Process

7. The staff believe that a process could be implemented, primarily to respond to IFRIC requests for changes to standards that are non-urgent and minor in nature. These amendments would focus on areas of inconsistency in standards or where the clarification about the meaning of wording was required.

8. The premise behind the non-urgent, minor amendments process is to streamline the standard setting process. If a number of minor amendments are processed collectively, there will be benefits to constituents, the Board and the staff (refer paragraph 14).
9. The non-urgent, minor amendments process being proposed by the staff has been included as Appendix A. The main aspects of this process are as follows:
 - referral from the IFRIC
 - collation of all minor amendments and exposure in a single document annually
 - development of a pro-forma agenda proposal for adding minor amendments to the technical agenda
 - exposure of minor amendments for a period of 90 days.

Referral from the IFRIC

10. Whilst there will be many sources of requests for non-urgent, minor amendments (the staff, constituents) the staff expect that the main source of minor amendments will be the IFRIC.¹ A request for an interpretation may uncover an inconsistency within a standard, or between two standards, that requires an amendment to correct it. In such cases, the IFRIC could consider whether it would be more appropriate for the matter to be addressed by the Board. In effect, the IFRIC process would act as a filter for non-urgent, minor amendments, by determining which could be dealt with by IFRIC Interpretation or by a minor amendment to a standard, and which should be rejected.
11. In some cases, the matter may be referred to the Board after the IFRIC process had been concluded without a resolution by interpretation. Alternatively, the IFRIC may reach a view that a minor amendment to a standard would clarify a situation for which there is divergence in practice. In those circumstances, the IFRIC could make a recommendation to the Board to amend the standard.

¹ This process will still be applicable for issues originating from other sources such as constituents and staff.

12. Given the need for transparency, any request for an interpretation will need to be given appropriate due process (the Agenda Committee and the IFRIC) before being passed onto the Board.

Collation of all minor amendments and exposure in a single document annually

13. The staff proposes that non-urgent, minor amendments are discussed at the Board as they arise. These amendments would be collated into one annual ED (termed the omnibus ED for ease of reference). The intended effective date would be approximately 12 months from the end of the comment period. The exact effective date would be set to co-ordinate with the effective dates of other standards.
14. The staff believes that this will have the following benefits:
- it will reduce time spent by the staff and Board during the ballot stage of the ED;
 - there would be an established (and well understood) process for dealing with minor amendments;
 - the burden for preparers, legislators, translators and auditors would be reduced, as minor changes would all be adopted at the same time instead of piecemeal; and
 - there will be consequential benefits for the IASC Foundation support functions in production and publication, and administration of comment letters.

Development of a pro-forma agenda proposal for adding minor amendments to the technical agenda.

15. The process of adding a non-urgent, minor amendment to the agenda could be streamlined by using a pro-forma agenda proposal. Consistently worded proposals to the Board would help to reduce Board time taken in reading and discussing these items and staff time in producing these proposals.

16. It is expected that a pro-forma agenda proposal could, in most cases, contain the technical argument and, depending on the matter, the text of the proposed amendment. This would remove the need for Board to discuss the matter several times (in most cases).
17. The non-urgent, minor amendments process would be a separate project. There staff do not consider it will be necessary to consult the SAC on each potential amendment.

Exposure of minor amendments for a period of 90 days

18. The Due Process Handbook for the IASB allows a period of between 30 - 120 days for exposure. Comment letters on the proposed technical corrections policy argued that 30 days was too short a time to liaise with members of representative organisations (especially where translation was required).
19. The staff suggest that the appropriate comment period for an omnibus ED should be 90 days. If the exposure period was fewer than 90 days, there is an increased risk that unintended consequences of the amendment may be missed as organisations find it difficult to comment effectively in a shorter period.
20. The staff recommend that the Board's tentative decisions be available on the Website and in IASB *Update* before they were published in the annual ED. This would allow constituents advance notice of the content of the ED. Further, the staff recommend that a near-final draft of the proposed amendment be presented on the Website after pre-balloting had been conducted. In these ways, the constituents would have ample foreknowledge of the impending change.

Other matters

What is a minor amendment?

21. The staff recommend that a definition of 'minor amendment' is not required. The comment letters on the proposed technical corrections policy highlighted the difficulties in providing a definition that would be sufficiently flexible to distinguish between minor amendments, significant amendments and editorial

changes. As such, the staff believe that each matter should be considered individually.

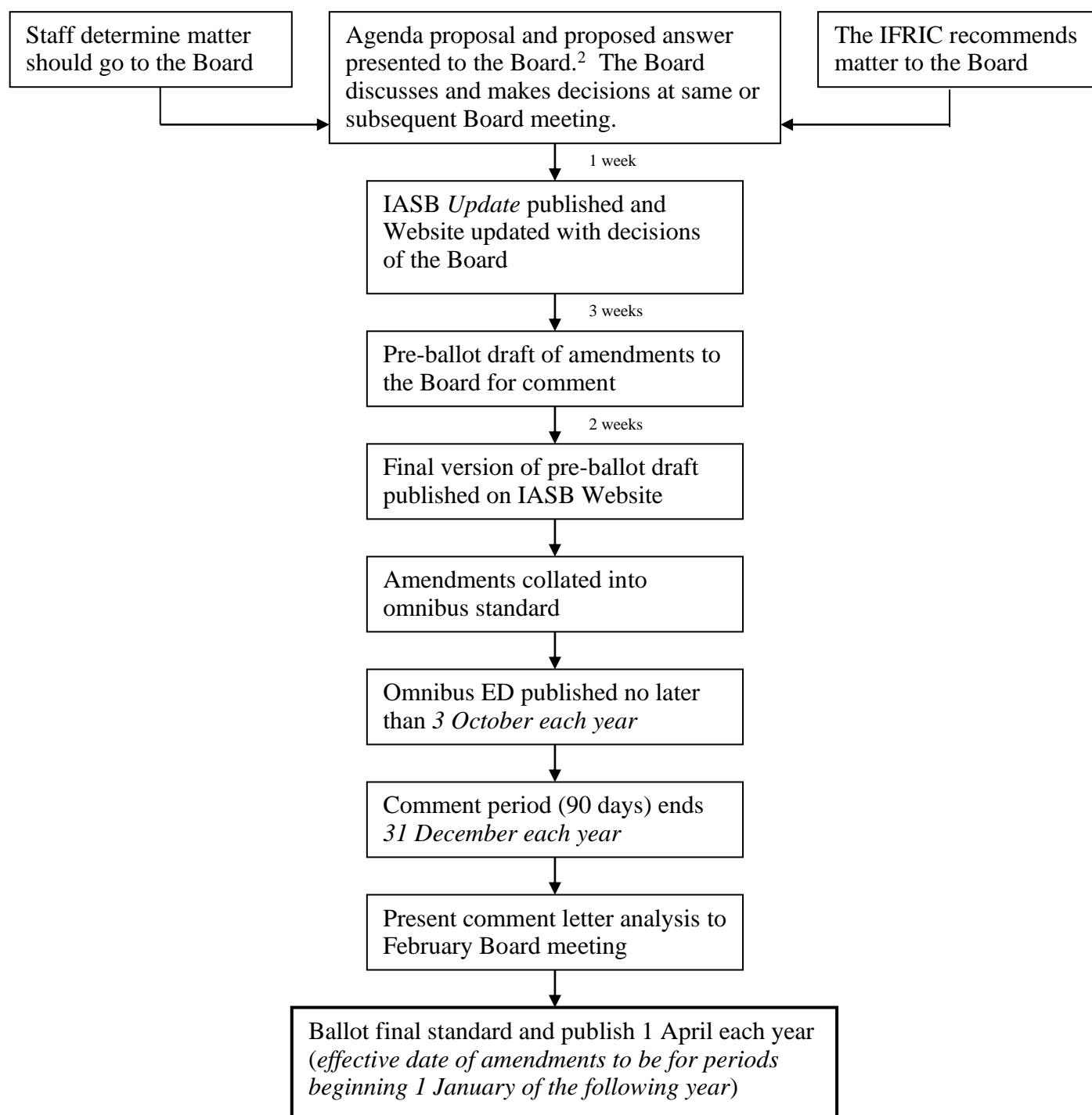
Application of minor amendments

22. The staff have considered whether the amendments proposed in the omnibus ED should be retrospective or prospective. As part of the proposed procedure, the text of the proposed amendments will be available for a lengthy period. This would suggest there is a good case for making all amendments retrospective. However, the staff consider it would be better to consider each amendment on its own merits to provide flexibility to the Board.

Changes to standards highlighting non-compliance in current practice

23. Sometimes a proposed amendment to a standard may highlight that entities are not complying with the standard.
24. There may be circumstances where entities have been interpreting a standard in a way that was not intended or foreseen, but may be supported by the Board. If so, the intention of the proposed amendment may be to validate the interpretation that has been applied in practice. However, by proposing the amendment, the Board may highlight that current practice is not in compliance with the standard. Strictly speaking, entities might be required to change their practice in the short term, only to change back to current practice when the amendment is adopted.
25. Whilst this situation is unfortunate, the staff do not believe there is any way in which it could be alleviated unless each amendment was published as soon as possible. However, as discussed previously, that would create an increased burden on preparers, legislators, translators and auditors.

Appendix A – Minor amendments process



² The last meeting at which decisions could be made in respect of items for the ED to be published on 3 October would be the July Board meeting.