



Topic

How to respond to urgent matters

Background

1. In October last year the IASB published amendments to IAS 39 without any exposure period. If we had not acted as quickly as we did the EC would have introduced legislation (a carve-out from IAS 39) that would have allowed institutions in the EC to reclassify financial assets without any constraints on how the assets were measured at the time were reclassified, no constraints on how far back they could go in choosing when to reclassify and no accompanying disclosure requirements. We decided to act because we thought it was essential to protect the interests of investors who rely on the financial reports of institutions in the EC.
2. Those events have caused some to question whether the IASB needs a more formal emergency procedure. In this session, SAC members will be asked to provide their views on how the IASB should respond to urgent issues. The IASB used a request for views to provide input to its response to the FASB's FSPs. Should the IASB have a fast-track procedure? What mechanisms should the Board use to deal with urgent matters?
3. We will pass any incites we get from these sessions to the Trustees.

Current due process requirements

4. The standard consultation period for an exposure draft is 120 days. The due process requirements allow the Board to have a shorter period.

This paper has been prepared for discussion at a public meeting of the Standards Advisory Council of the IASB.

The views expressed in this paper are those of the authors.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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5. The IASB Due Process Handbook states:

The IASB normally allows a period of 120 days for comment on an exposure draft. If the matter is exceptionally urgent, the document is short, and the IASB believes that there is likely to be a broad consensus on the topic, the IASB may consider a comment period of no less than 30 days. For major projects, the IASB will normally allow a period of more than 120 days for comments.

6. It is arguable that even these requirements are too restrictive, because they place conditions on when the due process period can be reduced that do not match the circumstances that arose last year.

Questions

Should any reduced comment period be restricted to particular circumstances?

Are the current restrictions appropriate?

Do you think that it is possible to anticipate the types of situations that might warrant urgent exposure?

Minimum time periods and approvals

7. Several parties have told us that any reduced due process requirements should be exceptions to the normal due process and should only be implemented after the reduced exposure time has been approved—perhaps by the Trustees or SAC.
8. One of the difficulties in requiring the Board to seek permission to take urgent steps is that each day taken up in that process is a day taken away from public consultation of the proposals. For example, an urgency process could require the Board to seek approval from the Trustees and for the Trustees to consult with the SAC. Suppose that the Trustees were given three days to make the initial assessment and the SAC had seven days to respond to the request. Then, the Trustees have four days to compile and analyse the responses and make a decision. Suppose also that you think that 14 days is the minimum period of public consultation for an exposure draft.
9. The whole process, including the consultation period for the proposed IFRS, would have taken 28 days—which is only two days quicker than our current

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minimum period. And, the public consultation period in relation to the proposals themselves is only 14 days.

10. We also know that a shortened consultation and implementation period can be a problem in some jurisdictions. In Australia and New Zealand, for example, the revised standards must sit before their parliamentary bodies for at least 30 days before they can become law.

Questions

What is an appropriate approvals process for reducing an exposure period?

Who should be consulted and who should have some decision making authority for allowing the Board to suspend due process or act with urgency? The Trustees? The SAC?

Or, should the IASB be able to instigate a reduced exposure period without consultation?

What impediments exist in your jurisdictions that would make a shortened exposure period problematic?

What is the minimum period of consultation you think is appropriate?