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This document is provided as a convenience to observers at IFRS Foundation meetings, to assist them in following the discussion.

INFORMATION FOR OBSERVERS

IFRS Foundation Trustees Meeting, Washington, 6 July 2010

AGENDA PAPER 7A

Memorandum

To: Trustee Due Process Oversight Committee

From: Michael Stewart
IASB Director of Implementation Activities

Date: 4 June 2010

Re: Proposed criteria for assessing *Annual Improvements*

1. At the March 2010 Trustee Due Process Oversight Committee meeting, the Committee asked the IASB to develop enhanced criteria for assessing the suitability of proposed amendments for inclusion in *Annual Improvements*. The Committee's request was in response to criticisms that had been made by some constituents that the current criteria were perceived to be insufficient.
2. The current criteria used are that the proposed amendments included within *Annual Improvements* must be 'non-urgent but necessary'. The issue was discussed by the IASB in May 2010 and proposed enhanced criteria are included in the Appendix to this paper.

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Nature of Annual Improvements

3. *Annual Improvements* is a standing process available to the IASB to make improvements to IFRSs by amending the standards in a streamlined manner rather than on a piecemeal basis. The amendments made within *Annual Improvements* typically respond to two key needs:

- (a) A need to clarify IFRSs.
- (b) A need to correct an error, conflict or an oversight.

Some amendments will meet both needs.

4. Amendments that clarify IFRSs generally address unclear wording in the standards or provide additional guidance to fill a gap in the literature. These amendments maintain consistency with the principles of IFRSs and do not introduce new principles or make changes to existing ones.
5. Amendments that correct IFRSs may seek to resolve a perceived or actual conflict between existing requirements of IFRSs. They might also address an oversight or unintended consequence of the requirements of existing IFRSs. For example, an amendment might address an omitted consequential amendment from a recent change to IFRSs. These amendments do not propose new principles or change existing ones, but where necessary may create an exception from an existing principle.

Scope and efficiency

6. The original intention of *Annual Improvements* was that the amendments would be ‘minor’ in nature. This concept is captured in the proposed enhanced criteria by the expectation that proposed amendments will have a narrow and well defined purpose. It is also reflected in the expectation that the Board will reach agreement on how an

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issue will be resolved on a timely basis. Difficulty in reaching agreement would suggest that the issue is too broad for *Annual Improvements*.

7. The proposed draft criteria also require consideration of current Board projects. It is not efficient to address an issue through *Annual Improvements* if it can be addressed through a current Board project in the near future.

Logistics

8. If the Committee agrees with the proposed enhanced criteria, the staff recommend that the criteria be exposed for public comment, as a proposed amendment to the IASB Due Process Handbook. A 90 day comment period is recommended. This is consistent with past practice.
9. Assuming that the proposed amendments to the IASB Due Process Handbook are published in August 2010, a November 2010 comment deadline should provide sufficient time for an analysis of the comments to be prepared and presented at the January 2011 Trustees meeting.
10. The current cycle of *Annual Improvements* is expected to result in the publication of an Exposure Draft in October 2010. As agreed at the March 2010 Due Process Oversight Committee meeting, it is expected that the Exposure Draft will be finalised on the basis of the proposed enhanced criteria agreed by the Committee at this meeting. The *Annual Improvements* will be reassessed against the finalised enhanced criteria before the *Annual Improvements* IFRS is issued in May 2011.

Question for the Committee

11. Does the Trustee Due Process Oversight Committee agree with the proposed enhanced criteria for assessing individual issues for inclusion in *Annual Improvements* and the strategy set out above?

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Appendix – Proposed criteria for assessing individual issues for inclusion in *Annual Improvements*

1. The IASB assesses proposed amendments for inclusion in *Annual Improvements* against the following criteria.

(a) *The proposed amendment has one or both of the following characteristics:*

- (i) **Clarifying:** *The proposed amendment improves IFRSs through one or both of the following:*

(a) *Clarifying unclear wording in existing IFRSs.*

(b) *Providing guidance where a current lack of guidance is causing concern.*

A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle.

- (ii) **Correcting:** *The proposed amendment improves IFRSs through one or both of the following:*

(a) *Resolving a perceived or actual conflict between existing requirements of IFRSs.*

(b) *Addressing an oversight or unintended consequence of the existing requirements of IFRSs.*

A correcting amendment does not propose a new principle or a change to an existing principle. It may create an exception to an existing principle, for example an omitted consequential amendment from a recent change to an IFRS.

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- (b) The proposed amendment has a narrow and well-defined purpose, i.e., the consequences of the proposed change have been considered sufficiently and identified.*
- (c) It is probable that the IASB will reach agreement on the issue on a timely basis. An inability to reach agreement on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within Annual Improvements.*
- (d) If the proposed amendment is to IFRSs that are the subject of a current or planned IASB project, there is a pressing need to make the amendment sooner.*