



DPOC: Agenda paper 31

NSS Paper on potential implications of IASB extended outreach for NSS

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Potential Implications of IASB Extended Outreach for NSS

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Background

- The IASB has substantially increased the use of extended outreach – that is, the means it uses to complement formal due process (including targeted field visits, panel enquiries, education sessions and staff correspondence).



The Issues

- It seems that extended outreach could obviate the need for further IASB formal due process (eg re-exposure), at least on some occasions
- It has not always been evident to NSS when extended outreach was being conducted, the issues being investigated, the basis for samples selected or that it might replace formal due process
- This loomed as an issue in the rush to 30 June 2011 and has eased since. We doubt the issue is merely a matter of history and see merit both for IASB and NSS to deliberately address the issue.



The Issues (cont'd)

- The IASB's improved processes are understandable for what is becoming global standard-setting
- NSS and others (hereafter NSS) responsible for domestic vetting/approval of IASB standards also need to have proper process to justify their stances
- Domestic and IASB processes may not mirror each other

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The Potential Problems

- IASB decisions based on information not obtained from a population either including or clearly representative of a domestic population (sampling risk/error)
- Inadequate bases for NSS to form opinions on standards approved by IASB, either technically or from a regulatory impact perspective
- Delays in local approval, particularly if extended outreach needs to be added by NSS after IASB approval
- Any such NSS extended outreach is likely to be compromised by the imbalance between the merits of any individual issue and overall compliance with IFRS.

The Possible Solutions

- IASB based solutions
 - Follow a philosophy of maximum visibility of due process/documents to NSS
 - Signal when extended outreach is being used
 - Explicitly document of the questions asked, evidence gathered and populations sampled
 - Provide early signal when extended outreach first shows the potential for obviating further formal due process
 - Amend documentation of due process in Charter


The Possible Solutions cont'd

- NSS based solutions
 - Track extended outreach
 - Assess on a timely basis (and communicate with the IASB) any material risks of sampling error due to local characteristics not being addressed by IASB
 - Conduct contemporaneous NSS extended reach out when needed, communicating outcomes to IASB
 - Amend documentation of NSS due process



The Possible Solutions cont'd

- Regulatory based solutions (if needed in jurisdiction)
 - gain domestic regulatory recognition for IASB due processes as being capable of being leveraged by NSS (providing NSS employ compatible formal due process and complementary assessments of any extended outreach). The latter would only involve re-performance when necessary.



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