

AGENDA

IFRS Foundation Trustees meeting – Due Process Oversight Committee

New York October 2019 **Agenda Ref 1F (d)**

Contacts Samuel Prestidge
Richard Thorpe
Henry Rees

Due Process Handbook Review—

Other matters

Purpose

1. The purpose of this paper is to provide the DPOC with an overview and analysis of other comments received on the proposed amendments to the *Due Process Handbook* (Handbook).
2. Appendix A summarises the proposed amendments to the Handbook for which no question was posed in the exposure draft.

Question for DPOC

3. Does the DPOC agree with the staff’s recommendations?

Other comments received

- A1. The following table summarises other comments received and the staff’s response to each matter.

Topic	Summary of feedback	Recommendation
Role of Transition Resource Groups (TRG)	<p>A few respondents questioned why the proposed amendments have not included a description of the role of TRGs.</p> <p>The staff think that it is not necessary for the Handbook to include such a description because TRGs are unlikely to play a role in the foreseeable future.</p>	No amendment

	<p>TRGs have been used in connections with the new expected credit loss model in IFRS 9 <i>Financial Instruments</i>, the new revenue recognition Standard (IFRS 15) and most recently the new insurance contracts Standard IFRS 17. TRGs have been set up in these instances to support implementation and inform the Board about potential implementation issues that could arise when entities implement the new requirements.</p> <p>However, no forthcoming Standards are expected to require the same degree of implementation support as those mentioned above and so there is unlikely to be a need to form a TRG in the foreseeable future. In addition, the Board has previously noted that there is no ‘one size fits all’ for TRGs. Any TRG would be established in response to a specific implementation need. The staff therefore propose not including a detailed description of TRGs in the Handbook. TRGs of course may still be established when appropriate.</p>	
Further information on ‘drafts for editorial review’	<p>A few respondents requested that preparers should have a greater involvement in the editorial reviews of exposure drafts and IFRS Standards before they are issued.</p> <p>The staff note that it is at the Board’s discretion who, external to the IFRS Foundation, should be used in such editorial reviews. By the time of the editorial review, the Board has concluded that all the applicable due process has been followed to allow the balloting process to commence. It is for the Board to determine what type of input, if any, is required or would be useful at that point. The Handbook does not prohibit the Board from engaging with any specific stakeholders and, therefore, specifying which stakeholders must be involved with this process would not be necessary or appropriate to ensure due process.</p>	No amendment

<p>Regular meetings with Securities regulators</p>	<p>A few respondents, notably from the regulatory community, would like the reference to ‘regular meetings’ with securities regulators reinstated.</p> <p>The drafting of paragraph 3.56 of the proposed amendments maintained the sentence that the ‘Board maintains a regular dialogue with securities regulators’.</p> <p>The staff thought that this sentence sufficiently captures the relationship with this stakeholder group. However, given that meetings are often held with securities regulators and given the specific responses the staff propose reinstating the sentence in the final amendments.</p>	<p>Amendment</p>
<p>The role of Board advisors</p>	<p>Two respondents requested more information to be provided in paragraph 3.40 of the proposed amendments in relation to the role of project Board advisors. One of the respondents thinks the Handbook should explain how Board members are assigned as advisors to specific projects. Board members are typically assigned to projects taking into account relevant expertise and appropriate resource allocation of Board member time. However, the staff see this as a matter of internal administrative functioning of the organisation that does not affect due process or the Handbook.</p>	<p>No amendment</p>
<p>Composition of the Interpretations Committee</p>	<p>A respondent from the regulator community notes that the Interpretations Committee composition is not the subject of the current consultation. The respondent emphasised the importance of ensuring a sufficient representation of users to ensure an appropriate balance of views on the Interpretations Committee.</p> <p>The staff think that the Trustees are aware of the importance of user representation on all the Committees and that paragraph 38 of the IFRS Foundation Constitution</p>	<p>No amendment</p>

	<p>does not restrict the inclusion of user representation on the Interpretations Committee. Paragraph 38 states ‘The Trustees shall select members of the Interpretations Committee so that it comprises a group representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in the practical application of IFRS Standards and analysis of financial statements prepared in accordance with the Standards’. This in any event seems to be outside the scope of the Handbook.</p>	
<p>Interpretations Committee adding standard-setting projects to the work plan.</p>	<p>One respondent, an organisation representing regulators, highlighted the phrase the ‘Interpretations Committee adds a project to the standard-setting agenda’ in paragraph 5.16 of the proposed amendments (and elsewhere). The respondent explains that this may be construed as the Interpretations Committee having the unilateral power to conduct standard-setting.</p> <p>The staff note that the Interpretations Committee may only recommend that the Board develop a narrow-scope amendment (but may assist in its development). Any such amendment is issued by the Board. In addition, any IFRIC Interpretation that the Committee develops is ratified by the Board before becoming a part of IFRS Standards (paragraph 7.23 of the proposed amendments).</p> <p>The staff will amend paragraph 5.16 and similar to clarify that the committee does not have the ability to change IFRS Standards unilaterally.</p>	<p>Amendment</p>
<p>Consultative Groups</p>	<p>One respondent, a national standard-setter, said that the Board should explain, in the basis for conclusions for example, the extent to which consultative groups have provided them with conceptual arguments or evidence to</p>	<p>No amendment.</p>

	<p>reach their own conclusion and whether this external consultation was sufficiently conclusive to confirm or contradict the decision taken.</p> <p>The staff note that the way in which the Board uses the feedback provided by each consultative group is reported to the group. The staff do not think that the relationship between the Board and its consultative groups should be further codified into the Handbook beyond the proposed amendments.</p>	
Reports of the DPOC	<p>One respondent, a national standard-setter, asked why the reports of the meetings of the DPOC do not include more information, such as:</p> <ul style="list-style-type: none"> a) Identification of the Trustees, of the Board members, and of the Technical staff members that attended the meeting, as well as summaries of their main views expressed in the meeting; b) For all issues put to a vote, the voter's identification, as well as summaries of their main views expressed before voting. <p>The DPOC meeting page available to stakeholders on the IFRS Foundation website includes:</p> <ul style="list-style-type: none"> a) Agenda papers; b) Audio meeting recordings; and c) Written summaries of the meeting. <p>The staff do not think that it is necessary to specify any additional requirements in the Handbook to ensure the DPOC operates in a transparent manner.</p>	No amendment
Discussion papers	<p>One respondent, an accounting firm, suggested redrafting paragraph 4.13 of the proposed amendments. The proposed amendments resulted in the sentence stating that discussion</p>	No amendment

	<p>papers do not contain a basis for conclusions or dissenting opinions being removed from paragraph 4.13. The respondent would like the sentence rephrased as</p> <p>“Discussion papers are issued by the Board and present the analysis and collective views of the Board on a particular topic. Discussion Papers do not contain a separate Basis for Conclusions or any dissenting opinions. The discussion itself reflects and conveys any differences in views of the [Board members]”.</p> <p>The staff continue to think that it is not necessary to say that a discussion paper does not contain a basis for conclusions or any dissenting opinions. Although a discussion paper would not typically contain a separate basis for conclusions due to the nature of the document, there is no reason to rule it out—the Board might wish to structure a particular discussion paper differently.</p> <p>Similarly, although a dissent from a discussion paper would be expected to be rare, there could be reasons why a board member would wish to dissent.</p>	
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Appendix A—other matters covered in the proposed amendments on which no question was posed in the exposure draft

- B1 The DPOC also proposes other amendments to bring the Handbook in line with current practice; further minor amendments are also proposed by the DPOC to improve the Handbook's understandability. In particular:
- (a) Consultative groups—paragraph 3.60 (formerly paragraph 3.59) explains that the composition of a consultative group might develop in line with the progression of a project, such that different expertise (and therefore different members) might be required at different stages of a project.
 - (b) Public nature of DPOC meetings—paragraph 2.15(a) reflects the DPOC's current practice of holding its meetings in public, except when it discusses personnel and other private issues in a private session.
 - (c) Remit of the Advisory Council—the amended references to the role of the Advisory Council reflect that it now advises the Board (and Trustees) on strategic matters and, especially since the establishment and activity of ASAF, is no longer used as a technical consultative body. The changing role of the Advisory Council has also required a consequential amendment to the IFRS Foundation Constitution (see Appendix B).
 - (d) Role of the IFRS Foundation website in transparent communication—paragraphs 3.34–3.37 (formerly paragraphs 3.34–3.36) have been extended to explain more clearly how the IFRS Foundation website is used to inform stakeholders of ongoing due process.
 - (e) Discussion papers—the sentence stating that discussion papers do not contain a basis for conclusions or dissenting opinions has been removed from paragraph 4.13.
 - (f) Restructuring for navigability—material relating to supporting implementation and application of IFRS Standards has been relocated into a new section (8).
 - (g) Drafts for editorial review—paragraphs 3.31–3.33 have been updated to clarify the purpose of this review.

- h) Comment letter—the definition in the Glossary of terms has been extended so as not to prohibit the future use of technology in the receipt of comment letters.