

Mr. Tommaso Padoa-Schioppa, *Chairman*
IFRS Foundation
30 Cannon Street
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30 November 2010

Dear Mr Padoa-Schioppa

The Annual Improvements Process: Proposals to amend the Due Process Handbook of the IASB

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Foundation Trustees' Invitation to Comment, *The Annual Improvements Process: Proposals to amend the Due Process Handbook for the IASB*.

We support the efforts to enhance the process for making improvements to International Financial Reporting Standards (IFRSs), including amendments to IFRSs to clarify guidance and wording or to correct unintended consequences, conflicts or oversights. We think that the criteria proposed in the Consultation Document are appropriate when identifying discrete issues in IFRSs that need to be resolved. However, we recommend an additional criterion: that 'the issue is widespread and has practical relevance' (i.e., paragraph 24(a) of the IFRIC *Due Process Handbook*).

However, rather than solely adding to the IASB due process the criteria for the Annual Improvements Process, we believe a more effective and efficient approach would be to broaden the remit of the IFRS Interpretations Committee such that it can prepare draft amendments to IFRSs (including Implementation Guidance) to help ensure that urgent or emerging accounting issues are identified and addressed in a timely and efficient manner. In our experience, the Interpretations Committee consumes a great amount of its time and staff resources on deciding whether a necessary improvement to IFRSs falls:

- within the Agenda Criteria for an Interpretation (as elaborated in the IFRIC Due Process Handbook);
- within the remit of the Annual Improvements Process;
- outside the Interpretation's Committee's mandate because it requires an amendment of IFRSs that must be resolved by the IASB; or
- outside the Interpretations Committee's mandate because the most desirable outcome would be more or better Implementation Guidance.

In our view, this is not the most efficient use of the Interpretations Committee and its staff resources. Further, the inability of the Interpretations Committee to address certain types of needed improvements to IFRSs and the consequent need for the Board to get involved places unnecessary burden on the Board's time and staff resources by asking them to address narrow, emerging, and other application issues under IFRSs, when the Interpretations Committee is likely to be best equipped for such tasks. We believe amendments to IFRSs developed by the Interpretations Committee under the Annual Improvements Process, Interpretations, and the resolution of conflicts between IFRSs each represent a change in IFRSs, which ideally should be addressed by the same agenda criteria and due process, including review and approval by ballot of the Board at both exposure draft and final document stage. We believe such a process would significantly enhance the IASB's ability to identify and address needed improvements to IFRSs in a timely manner.

In our view, the IFRS Foundation Constitution, which states that the role of the Interpretations Committee is to 'interpret the application of IFRS and provide timely guidance' (Constitution, paragraph 43(a)), can be read to support the Interpretations Committee developing implementation guidance in addition to Interpretations (Application Guidance). Whilst Implementation Guidance is not considered authoritative guidance, any such guidance included in IFRSs should be developed in a manner that provides some level of comfort that the guidance has been developed in a rigorous fashion.

Accordingly, we propose the Trustees broaden the remit of the Interpretations Committee such that it may draft amendments to IFRSs, including those required to clarify an IFRS or resolve conflicts within IFRSs; to make necessary corrections to IFRSs; to provide Application Guidance, including guidance on financial reporting issues not addressed specifically elsewhere in IFRSs; and to develop Implementation Guidance. Under such a process, the agenda of the Interpretations Committee and any proposed or final amendments developed by the Interpretations Committee would be subject to review and approval of the Board. Such changes would make the Interpretations Committee a more efficient part of the standard-setting process by removing the need for the Interpretations Committee to debate the nature of a change or clarification and relieving the need for a separate Board project to address many types of urgent or emerging accounting issues.

We note that the US Emerging Issues Task Force (EITF), in comparison with the Interpretations Committee, has a much broader remit that permits it to propose amendments to US GAAP to ensure that emerging accounting issues are identified, addressed, and resolved in a timely manner. More specifically, the EITF is designed to develop implementation guidance within the framework of US GAAP to reduce diversity in practice on a timely basis and to minimise the need for the FASB to spend time and effort addressing narrow implementation, application, or other emerging issues that can be analysed within existing GAAP. These competencies could form the basis for changes to those of the Interpretations Committee.

We continue to consider how the Interpretations Committee may best contribute to the IASB's standard-setting activities and will be responding to the Committee's Review Questionnaire in due course.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 207 007 0884.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'V Poole', is positioned above the printed name.

Veronica Poole
Global Managing Director
IFRS Technical