

COMMENT LETTER IASB

Dutch Accounting Standards Board (The Netherlands)

IFRIC Draft Due Process Handbook
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Our ref : AdK
Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0279
Date : Amsterdam, 28 September 2006
Re : **Comment on IFRIC Draft Due Process Handbook**

Dear members of the International Accounting Standards Board,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your IFRIC Draft Due Process Handbook.

Firstly, we would like to express our general support of the provisions of the draft Handbook. However we do support the comments made by EFRAG (draft-comment letter as enclosed to this letter). The DASB would like to add a point of comment regarding the authority of the IFRIC interpretations. In paragraph 49 is stated that: 'IFRIC Interpretations usually apply to periods beginning on or after a specified effective date (usually three months from the date of issue). However, the IFRIC may choose to vary that approach.'

We believe that the effective date may vary, although we are in the opinion that the effective date could never be before the date of issuing the interpretation.

Yours sincerely,

Martin N. Hoogendoorn
Chairman DASB

appendix: Draft Comment letter EFRAG September 2006 re: IFRIC Draft Due Process Handbook

1.1

1.2 *XX September 2006*

Thomas Seidenstein
Director of Operations
IASC Foundation
30 Cannon Street
London EC4M 6XH
UK

DRAFT COMMENT LETTER

**Comments should be sent to Commentletter@efrag.org by
11 September 2006**

Dear Sir

Re: IFRIC Draft Due Process Handbook

On behalf of Supervisory Board of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on IFRIC Draft Due Process Handbook. Our replies to the questions are listed below, in summary we would like to highlight the following.

Firstly, we would like to express our general support of the provisions of the draft Handbook. We were pleased to note that it addresses a number of concerns raised by EFRAG in reply to the IASC Foundation Consultation Paper issued in April 2005.

Notwithstanding that, we continue to have significant concerns in relation to the composition and procedures of the Agenda Committee.

- While we do understand the role of the Committee and the fact that it is not a decision making body, we believe that it is essential that the group represents all stakeholders and is geographically balanced; and we would like this reflected in the Handbook.
- It is also essential that the standard setting process is transparent. In our view that means, inter alia, that all significant meetings should be held in public which is currently not the case.

We were also disappointed to see that the draft Handbook does not address the matter of absence of transparency of the status of the issues raised. We strongly urge IFRIC to publish the details of the issues submitted for consideration and the progress of the matters in the decision making process.

Lastly, we would like to comment on a few matters that have not been specifically addressed by the questions asked in the draft Handbook.

- We are concerned that wordings for rejections have developed in a way that they are indeed interpretations, and therefore it should be considered either to stop providing any wording when requests for interpretations are rejected or alternatively subject them to a full due process.
- While we agree with the general provisions in regards to the IFRIC membership we believe the following two matters should be explicitly addressed:
 - We believe that consistent with the IASB process, the search for the new members should always include advertising for possible candidates.
 - The Handbook should also provide for wider and more balanced geographical and stakeholder representation in the IFRIC.
- We understand that IFRIC is not intending to address issues that are more akin to standard setting rather than merely interpretation of existing standards. However, we would like to ensure that a provision is made in the Handbook that the consultation period should be extended to more than 60 days if major and complex issues are addressed (such as service concessions).
- And finally, paragraph 53 provides for the review of IFRIC's mandate and operations at least every five years. We believe that such reviews should include a public consultation stage.

If you would like further clarification of the points raised in this letter, please do not hesitate to contact either Svetlana Pereverzeva or me.

Yours sincerely

Göran Tidström

Supervisory Board Chairman

Question 1 – Agenda Committee

The Agenda Committee assists the IASB staff in presenting issues to the IFRIC so that the IFRIC can decide whether to add an issue to its agenda (paragraph 23). The Agenda Committee is not a decision-making body and does not meet in public (paragraph 26). The Agenda Committee reports to the IFRIC at its regular meetings on the issues the Agenda Committee considered and the Agenda Committee's recommendation on each issue (paragraph 27).

Do you agree with the Agenda Committee process described in paragraphs 23-27? If not, what changes do you propose, and why?

We do understand that the Agenda Committee is not a decision making body and that its role is limited to the presentation and analysis and recommendations to the IFRIC. However, we strongly believe that even the preliminary analysis and emphasis are inevitably influenced by the experience and position of those presenting the issues. Therefore, we would like to reiterate the comment we previously raised that the Agenda Committee should be a group representative of all stakeholders and should have a balanced geographical background. The IFRIC Agenda Committee appears not to be such a group. Therefore, we recommend that a requirement for such a balance representation to be included in the Handbook.

It is also essential that the standard setting process is transparent. In our view it means, inter alia, that all significant meetings should be held in public. This is not currently the case.

Another comment that we would like to repeat in relation to the agenda process is that the public should know which issues are being studied by the IFRIC or one of its committees or by its staff and the public should also know exactly what stage that issue has reached in the IFRIC's processes. Currently it is not known which issues have been submitted to the IFRIC for consideration until the IFRIC Agenda Committee has decided whether or not to recommend that the issue be added to the IFRIC's agenda. We strongly believe that the IFRIC should publish details of all issues submitted to it for consideration, together with an explanation of exactly what stage the issue is at in the agenda decision process, what if anything is causing a delay, and when a final decision is expected to be taken.

Question 2 – Agenda criteria

The IFRIC assesses proposed agenda items against the criteria listed in paragraph 28. For inclusion in the agenda an issue does not have to satisfy all the criteria.

Do you agree with the agenda criteria listed in paragraph 28? If not, please specify the criteria you would add, alter or delete, and explain why.

We agree with the proposed agenda criteria.

Question 3 – Consultation regarding issues not added to the IFRIC agenda

A consultative period applies to issues that are not added to the agenda. The draft reason for not adding an item to the agenda is published in the IFRIC Update and electronically on the IASB Website with a comment period of about 30 days.

Do you agree with the consultative process for issues that are not added to the IFRIC agenda? If not, what changes do you propose, and why?

We support the consultation process regarding issues not added to the IFRIC agenda as stated in the draft Handbook.

Question 4 – Relationship with national standard-setters and interpretative groups

The IFRIC's relationship with national standard-setters (NSSs) and interpretative groups (NIGs) is described in paragraphs 54 and 55.

- (a) Do you agree that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC? If not, why not?**

We strongly support this as we believe that all interpretational matters in relation to IFRSs should be dealt with by IFRIC.

- (b) Do you agree that the IFRIC should not consider local interpretations and comment on whether they are either consistent or inconsistent with IFRSs? If you disagree, please explain why.**

Firstly, we doubt whether, under a principles-based financial reporting framework, there are many issues that are narrow enough to be genuinely 'local', yet important enough to warrant interpretation. However, in the instances when on a narrow, country specific issue local interpretation is absolutely necessary; we agree that IFRIC's resources are not best used commenting on such interpretation. Furthermore, we think that such comments could be construed as in effect being an IFRIC interpretation. Hence, we agree with the provisions in the draft Handbook.

Other comments on matters not specifically addressed by the Questions above

Wordings for rejections

We are concerned with the issuance of wordings for rejection under the practice that IFRIC has developed over the last year. Wordings for rejection were meant to give guidance in order to help practitioners, in instances where IFRIC would not want or would not deem necessary to issue an interpretation. However, one year of practice has revealed that de facto IFRIC formulates wordings for rejection which in some instances are indeed interpretations. Implicit options are eliminated from standards, a move in the right direction towards more consistency and comparability, a move however which cannot take place without due process. Also, these wordings for rejection are issued under the following disclaimer: ***Disclaimer:*** *The following explanations are provided for information purposes only, and do not represent or change existing IFRSs requirement. Official positions of the IFRIC are determined only after extensive deliberation and due process, including a formal vote by written ballot to issue an Interpretation. IFRIC Interpretations only become final if a majority of the IASB does not object to its issuance.* Therefore, we believe that these wordings for rejection which the stakeholders might relate to in making their decisions raise the critical problem of their status:

- If they are meant to have no authority, it would be better to drop them altogether;
- If they are meant to have some authority, they should be subject for adequate due process. One aspect of this process could be to require a specific qualified majority (10 or 11 members out of 12 for example) for making decisions of issuance of wordings for rejection which contain guidance. Such a majority would reflect that there is indeed no other way to understand and apply IFRS.

Membership of IFRIC

While we agree with the general provisions in regards to the IFRIC membership we believe the following two matters should be explicitly addressed:

- We believe that consistent with the IASB process, the search for the new members should always include advertising for possible candidates.
- The Handbook should also provide for wider and more balanced geographical and stakeholder representation in the IFRIC.

Comment period

We understand that IFRIC is not intending to address issues that are more akin to standard setting rather than merely interpretation of existing standards. However, we would like to ensure that a provision is made in the Handbook that the consultation period should be extended to more than 60 days if major and complex issues are addressed (such as service concessions).

Public consultation

And finally, paragraph 53 provides for the review of IFRIC's mandate and operations at least every five years. We believe that such reviews should include a public consultation stage.