



Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation internationale des commissions de valeurs
Organizaçào Internacional das Comissões de Valore

September 29, 2006

Mr. Thomas Seidenstein
International Accounting Standards Committee Foundation
30 Cannon Street
London
EC4M 6XH
United Kingdom

Dear Mr. Seidenstein:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (SC1) appreciates the opportunity to provide our comments with regard to the International Accounting Standards Committee Foundation's paper – *Due Process Handbook for the International Financial Reporting Interpretations Committee (the Handbook)*.

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement.¹ Members of SC1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of SC1 and are not intended to include all the comments that might be provided by individual members on behalf of their respective jurisdictions.

SC1 views the role of the International Financial Reporting Interpretations Committee (IFRIC), and its due process, as critical elements in the development of high quality global financial reporting standards, as well as ensuring the consistent interpretation and rigorous application of those standards. To this end, we welcome the revision of the existing Handbook because the Trustees address several concerns raised in comment letters received in response to IFRIC's consultation paper *IFRIC Review of Operations*. Therefore, we commend the Trustees for taking steps to address these concerns and resolve the related issues.

General Comments

Prioritization of Issues in Process

Certain interpretive issues will warrant more immediate resolution than others and there may need to be an adjustment made to the priority of current issues as new ones are added to the IFRIC's agenda. As such, SC1 believes that the Handbook should call for IFRIC to periodically prioritize and then as

¹ See IOSCO website, www.iosco.org

developments occur to re-prioritize the in-process issues. The Handbook should also address the frequency at which this should occur (e.g. every meeting, every other meeting, etc...).

Transparency of Issues in Process

SC1 strongly suggests that the IFRIC implement a process, which would be outlined in the Handbook, whereby the IFRIC will publish and periodically update listings of all issues in process. This communication document should not only identify the issues being discussed, but also the issue's status as well as an estimated timetable of when the IFRIC will discuss the issue next. By doing so, the IFRIC would provide constituents with a valuable resource that would allow them to follow an issue throughout its life on the agenda. It would also help constituents assess whether items that are currently on the agenda are estimated to be resolved by the time constituents issue their financial statements.

Responses to Questions

Question 1 - Do you agree with the Agenda Committee process described in paragraphs 23–27? If not, what changes do you propose, and why?

We understand that the Agenda Committee, as stated in paragraph 27 of the Handbook, updates the IFRIC on agenda items under consideration, however, we are concerned that the language in paragraph 27 does not include language that requires the Agenda Committee to update the IFRIC at a set interval of time (e.g., every meeting, every other meeting, etc...). Further, we are concerned that the language in paragraph 27 does not ask the Agenda Committee to provide the IFRIC with a status report of each open issue. Without a status update of where an issue stands, it would be difficult for IFRIC members to understand how long the Agenda Committee has considered an issue and what aspects of the issue have resulted in any delay in bringing forward the Agenda Committee's recommendation to the IFRIC. While as a matter of practice the Agenda Committee has done some of these things, we recommend that the Handbook include a provision that would oblige the Agenda Committee to provide the IFRIC with an update on the status of the open issues, and what, if any, issues are causing a delay in reaching a recommendation on an issue. The Handbook should further clarify the frequency at which the status updates should be given.

Question 2 – 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.

SC1 concurs with the criteria listed in paragraph 28 of the Handbook and believes these criteria address appropriate considerations under which an issue is added to the agenda. However, we suggest that the Handbook consider a scenario in which the IASB staff or Board believe that the proper resolution of an issue is addressed by existing IFRSs despite the submission to IFRIC. The Handbook should clarify the manner in which the existence of such a Staff or Board view should be a factor in, or element of, the agenda decision and its communication.

We also believe that the Handbook should include a description of what happens when items are rejected based on criteria (e) or (f), respectively, which assume that a consensus will not be reached on a timely basis or that there is no pressing need to provide guidance sooner than would be expected from an anticipated IASB project. The assumption that there is no pressing need to provide guidance because of an anticipated IASB project should be revisited periodically to ensure that a rejection based on this criteria remains warranted. Further, if the IFRIC rejects an issue because it believes that it cannot reach a consensus on a timely basis, how will the fact that a presumably significant problem in practice

nonetheless exists be addressed? We strongly suggest that the Handbook address how the IFRIC considers such practice issues.

Question 3 - 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?

Although we are not necessarily opposed to the IFRIC's rejection process, SC1 does have significant concerns about the content of the rejection wording being issued. Our concerns are based upon the fact that the rejection wording issued by the IFRIC has often become so extensive in its explanation of why an issue has been rejected that the rejection wording can appear to take on the form of an actual interpretation. By issuing such extensive explanations of why existing accounting literature is not in need of interpretation, the IFRIC implicitly acknowledges that the literature may not be clear in its intended meaning and is actually in need of an interpretation. Lengthy rejections also add confusion as to whether or not the language included in the rejection wording should be considered authoritative literature. We suggest that the IFRIC make an effort to keep the rejection wording as concise as possible. The rejection wording need not be any more detailed than to explain that the issue was rejected because it did not meet the applicable criteria stated in paragraph 28 of the Handbook and a brief explanation of why through an appropriate reference to the literature.

Question 4 - (a) Do you agree that National Standard Setters (NSSs) and National Interpretative Groups (NIGs) should be encouraged to refer interpretative issues to the IFRIC? If not, why not? (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.

SC1 supports NSSs and NIGs bringing issues to the IFRIC for consideration. The NSSs are knowledgeable about issues that arise frequently in their domain. Therefore, we believe that this channel for information flow, specifically the identification of issues, is necessary to address diversity in practice and promote consistent interpretation and application of IFRS.

We agree that the IFRIC should not have an obligation to consider all views on IFRS published by others because we think the costs outweigh the benefits of doing so. For example, while the benefits of doing so might be that it helps the IFRIC eliminate faulty views that are being expressed in practice, the costs of doing so include the commitment of resources to consider the issues at the expense of making progress on issues submitted to IFRIC. If other organizations publish a view on IFRS and it is determined that the benefits of considering that view outweigh the costs, the consideration of these issues should be subject to the same process as other issues submitted to the IFRIC.

Closing

We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,



Scott Taub
Chair

IOSCO Standing Committee No. 1