



**Ms. Françoise Flores**  
**TEG Chair**  
**EFRAG**  
**Square de Meeûs 35**  
**B-1000 Brussels**

Brussels, 11 August 2014  
VH/AFD/B16/14-164

**E-MAIL**

**EACB comments on EFRAG's draft letter on IFRS quality control to the IASB**

Dear Madam, dear Sir,

We welcome the EFRAG's initiative to enhance the quality control procedures of the IASB in the stage of finalizing new IFRS or major amendments of standards and therefore gladly comment on the draft letter from June 6, 2014.

We are broadly in line with the proposals made in the letter as they might promote a more uniform implementation of new rules. Moreover, we would like to answer to your questions as follows:

***1- Do you agree with EFRAG that some specific standard setting process step involving the public at large is necessary to further enhance quality control of IFRS? Please explain your views.***

We agree that the IASB's standard setting process at the stage of finalising a standard can be improved. As preparers of financial reports we share EFRAG's observation and equally experienced that new rules are frequently not fully clear. Inevitable consequences are divergence in practical application and a tendency to transfer the responsibility for interpreting IFRS to the auditors. As a banking organization we support EFRAG in its believe that the experience of the public fatal flaw review of IFRS 9 phase 3 General Hedge Accounting was successful. Therefore, we consider it appropriate that the public at large may get involved prior to finalising a standard or a major change of a standard.

***2- Do you support the proposal made by EFRAG? Please explain your views?***

We also share EFRAG's opinion that fatal flaw public exposure of final drafts would be the best way of improving IFRS quality control, especially with regard to our positive experience with the review draft General Hedge Accounting. However, if the IASB is not ready to establish review drafts before publishing final rules as a general due process element, we consider it worthwhile to alternatively think about inserting a formal implementation stage as proposed by EFRAG.

More specifically, EFRAG proposes that during the implementation phase, the IASB should set up a dedicated team to be responsive to difficulties encountered in practice. The proposal further recommends that the team should have sufficient authority to handle all comprehensibility and implementation issues, similar to the IFRS IC when making agenda decisions. Or at least it should be able to trigger IC procedures.

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In our opinion there are possible advantages and disadvantages of constituting an implementation phase and setting up teams with interpretative powers.

Advantages are:

- Additional opportunities for constituents to participate would be established.
- Final rules would be more waterproof.
- Final rules could become easier to understand.
- Final rules would be more linked to actual accounting practice.
- The actual implementation of new or amended standards might require less cost and effort.
- The final rules would probably be more stable over time.

Disadvantages are:

- Standards might become even more rule based and complex.
- Additional uncertainty during the implementation phase might arise.
- Standard setting would take even longer.
- Constituents would have to monitor the decisions of another interpretative body.
- Simple clarifications and material changes are not always easy to distinguish.

Considering all the pros and cons we think that introducing an implementation phase as a mandatory due process step would be a possible way forward in order to improve IFRS quality control. Setting up dedicated teams with interpretative powers to support the implementation process appears useful when completing major projects. However, for smaller projects such teams should not be required.

### **3- Would you favour alternative proposals? If so, what are they?**

Our first choice would be review drafts and fatal flaw reviews before final standards or amendments are issued as a mandatory due process element.

We hope you find these comments useful and would be pleased to provide any further information you may require.

Yours sincerely,

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