European Banking Federation
Chief Executive

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Mr Hans van Damme
Acting Chairman
EFRAG Supervisory Board
Square de Meeûs, 35
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Email: commentletters@efrag.org

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***Subject*: EBF comments on EFRAG's proposal to enhance IFRS quality control**

Dear Mr Van Damme,

The EBF agrees that despite all the efforts of the IASB and the transparency of the IASB process and deliberations, the final wording of the standards may sometimes be difficult to understand. This may be particularly the case for stakeholders that are not closely following the standard setting process. The drafting of the final wording may also lead to interpretation that diverges from the IASB intentions. Ambiguous wording may result in divergences in interpretation and implementation, leading to either auditors or, in some instances national and regional authorities stepping in to provide guidance on IFRS. At worse, internationally active entities may face local variations of IFRS, contrary to the IFRS global objective, at best such inefficiencies can result in increased implementation costs.

The EBF would see merit in an enhancement of the standard setting process that would improve the clarity and constituents' understanding of the standards as well as avoiding any unintended consequences or unforeseen operational challenges as a result of the final wording. However, we are concerned that public fatal flaw reviews may i) substantially prolong the standard setting process, ii) risk reopening of issues that have already been decided and iii) jeopardize the principle based character of IFRS.

While some operational issues may become apparent only during the actual implementation, introduction of a post-publication review of the final standard risks reducing the implementation and endorsement time, since the final text would remain uncertain, unless the effective date of the new standards take into account the additional post-publication phase.

Such increased uncertainty can be detrimental to the timely implementation of the standards by some entities, in particular those previously not involved in the standard setting process due to limited resources who may be reluctant to commence implementation efforts until the standard is final. Further amendment to standards shortly after their publication also increases the implementation costs. Therefore, the IASB needs to continue to work towards getting standards right first time.

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Although the EFRAG proposal could help in this regard, it would also introduce additional difficulties. Therefore, we would prefer to assess the functioning of the IASB Transition Resource Groups which the IASB has set up in support of the more complex new standards recently issued. We believe the experience with the IFRS 9 ‘Financial Instruments’ and IFRS 15 ‘Revenue Recognition’ will provide a solid basis to review the due process for new standards and determine if any further changes are needed.

Yours sincerely,

Guido Ravoet

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