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**Re: EFRAG draft comment letter on *IASB and IFRS Interpretations Committee Due Process Handbook***

Dear Françoise,

We are pleased to have the opportunity to provide EFRAG with our comments in order to contribute to the finalization of the EFRAG comment letter on the Invitation to Comment *IASB and IFRS Interpretations Committee Due Process Handbook*.

We welcome the review of the *Due Process Handbook* (DPH) with the aim of improving transparency and efficiency in the standard-setting process.

We broadly support the content of the EFRAG draft comment letter and in particular the following points:

- the research phase should be always concluded by a public consultation on the findings of the research. Moreover, the conclusion of the consultation carried out on discussion papers or research papers showing that the proposed change will lead to an improvement in the financial reporting at an acceptable cost, should be publicly available;
- the involvement of National Standard Setters in the research phase, outreach activities, field tests, post-implementation reviews is a way to improve the transparency, efficiency and understanding of standards-setting process; in this regard, the definition of a shared due process is necessary in order to achieve improved cooperation;
- the effect analysis should be carried out in all phases of the standard-setting process and the results published before the IASB makes decisions;

- the concept of users' needs should be further developed to better define what these information needs are and the reasons justifying them;
- the review drafts should be available to everyone, not only to selected groups. In this way, all constituents could have the opportunity to provide input in order to clarify further aspects of the text as well as to use this version for field testing. The results of this review should be examined in public meetings and considered by the IASB when making its decisions;
- the need to clearly distinguish the roles of the IASB and its staff. The IASB gives proper directions to the staff and it is responsible for every decision taken, however the staff should have the ability to make recommendations to the IASB;
- the draft and final interpretations should include the alternative/dissenting opinions of IFRS Interpretation Committee (IFRS IC) members, as well as the standards;
- the Handbook should explicitly include the consultation step with national standard setters to assess whether issues are widespread and have practical relevance, given that it is already a matter of routine;
- the review by the Due Process Oversight Committee of due process should not simply be a task of box-ticking, but should be conducted with a more pro-active spirit to evaluate also the substance of the due process, without becoming involved in technical decisions.

Moreover, we have further comments regarding the following aspects:

- We welcome the fact that the DPH provides that the IASB seeks input in its technical activities from a network of national accounting standard-setting bodies and regional bodies involved with accounting standard-setting. This input includes undertaking research, providing guidance on the IASB's priorities, encouraging stakeholder input from their own jurisdictions into the IASB's due process and identifying emerging issues.

We know that the "Statement of best practice" setting the cooperative relationship between the IASB and the NSSs is currently under review. However, in our opinion, dealing with this topic in generic terms, as the DPH does, is acceptable only if the due process for conducting the consultation/cooperation with these bodies will be defined in detail fashion in the above-mentioned Statement and then included in the DPH.

- As already said in previous consultations, we reaffirm the need that the IFRS IC rejection notices, given their potential impact, receive an approval by the IASB.

The final report on the IC, published in May 2012, said that "*The IASB should not be asked to ratify the rejection notices. The IASB's attention is brought to the tentative rejection notices as part of the regular reports the Interpretations Committee makes to the IASB, thus providing opportunity for the IASB to raise any concerns over the proposed rejection notice. However, requesting formal IASB approval risks elevating the status of the rejection notices within the IFRS hierarchy, even if only by perception.*" (emphasis added)

For the IASB, the rejections do not have "*the authority of an IFRS and they will therefore not provide mandatory requirements but they should be seen as helpful, informative and persuasive*". In our view, it is not so, because even when the IC says that the issue is already clear the same effects as an interpretation are determined. Indeed, those who apply IFRS cannot disregard such a rejection and so they may have to change the accounting policies applied. Therefore, while affirming that the rejections are not mandatory requirements, the effect produced is exactly the opposite.

Moreover, as also the EFRAG noted, regulators do refer to rejection notices in the exercise of their enforcement responsibilities. In particular, there is "*an expectation on the part of the stakeholders in IFRS that rejection notes concluding that IFRSs are sufficiently clear will be carefully considered by preparers in determining their accounting policies. In the case of a*

*change in a previous accounting treatment following the issue of a rejection note, an issuer should apply IAS 8 and provide proper and sufficient disclosure on the reasons for the change, having regard to the particular facts and circumstances of the individual case, including reference to the rejection note".*

For these reasons, we think that it is not enough that the Due Process Handbook should clearly indicate that rejection notices should not be akin to interpretations and a quality control by the IASB should be reinforced, but it is necessary that there be a formal ratification by the IASB.

- The IASB, as a global regulator, should focus its activities on the issuing of standards and interpretations, which are mandatory for those who adopt IFRSs. Therefore, the issuing of practice guidance seems not appropriate, because it could create confusion between what is required and what is not, given that both are issued by the IASB. Moreover, the issuing of such guidance also seems to conflict with a principle-based approach to standard-setting, as reiterated in the DPH.

Should you need any further information please do not hesitate to contact us.

Yours sincerely,

Angelo Casò  
(Chairman)