



Mr. Pedro Solbes
Chairman
Supervisory Board
EFRAG
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E-mail: commentletter@efrag.org

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Ref.: FRP/HvD/HOL/SRO

Dear Mr. Chairman,

Re: FEE Comments on EFRAG's Draft Comment Letter on The Annual Improvements Process: Proposals to amend the Due Process Handbook for the IASB – Criteria for Annual Improvements to IFRSs

- (1) FEE (the Federation of European Accountants) is pleased to comment on EFRAG's Draft Comment Letter to the IFRS Foundation on Criteria for Annual Improvements to IFRSs.
- (2) Generally, FEE agrees with the issues raised by EFRAG in its draft comment letter.
- (3) Extensive or even excessive use of the annual improvements procedure raises questions on, and could generate criticism of the stability of the standards which is an essential condition to ensure consistent application and comparability of the financial statements. Therefore, FEE agrees that the IASB Due Process would benefit from detailed criteria aimed at assessing the appropriateness of amendments to IFRSs for inclusion in annual improvements.
- (4) The annual improvement procedure should not become the normal process to amend standards. If IASB carried out careful impact assessments of its draft standards and attached enough attention to the quality of drafting, the number of cases needing to be addressed by annual improvement should be reduced.
- (5) FEE shares EFRAG's view that characteristics mentioned in section 65 A (2) are appropriate, in particular, clarification or correction should not introduce a new principle or a change to an existing principle. There is indeed a danger in introducing an exception through an annual improvements project. Therefore, we would suggest to add "in rare circumstances" in the last sentence of this paragraph.

- (6) EFRAG underlines (§ 9) that the criteria proposed do not provide guidance on the distinction between annual improvement amendments and interpretations. Although this issue relates primarily to the criteria to issue an interpretation, there is merit in clarifying the point in the Due Process Handbook. Clarification would avoid misconception about the clarification characteristic mentioned in paragraph 65 A of the draft amendments.
- (7) The criterion mentioned in the introduction “amendment is considered non-urgent but necessary” does not distinguish sufficiently the nature of amendments acceptable in an annual improvement project. In particular, the notion “non-urgent” is questionable. If the amendment is not urgent and the IASB agenda comprises a project on the same issue, it should not be made under the annual improvement project.
- (8) The draft amendments to the Due Process Handbook do not address the concept of urgency. It only mentions “a pressing need”. We suggest further clarification on the concept of urgency. EFRAG seems to consider in the title before paragraph 12 that the two concepts are equivalent. This is not fully convincing. The third sentence of paragraph 12 could be further clarified.
- (9) FEE agrees with EFRAG that an amendment can only be introduced through an annual improvement if there is a pressing need to make an amendment sooner than a current or planned IASB project on the standard. Paragraph 13 of EFRAG’s draft letter rightly suggests that any proposed amendment should be consistent with the agenda decision. The annual improvement project should not become an easy solution to deal with so many aspects that could be considered as a stand-alone project but which are not included in the agenda decision. We understand that EFRAG’s intention is to avoid the situation whereby some decisions or changes, perhaps on difficult issues, are dropped when approving a standard and re-introduced by the backdoor as illustrated in paragraph 14. We agree and believe that the argument should be strengthened and further clarified.
- (10) EFRAG suggests ensuring coordination between IASB and FASB on future amendments of standards. The suggestion is justified in the short term, as part of the MoU convergence project. The question merits further consideration, however, in the longer term. We do not believe that there is a need to include such commitment in a Handbook on IASB Due Process, which defines a process irrespective of the term and purpose of future projects, without any limit in time.

For further information on this letter, please contact Henri Olivier, Secretary General, at +32 2 285 40 71 or via e-mail at henri.olivier@fee.be, from the FEE Secretariat.

Yours sincerely,



Hans van Damme
President