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Mr. Pedro Solbes Mira
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31 January 2011

Re: EFRAG draft comment letter on Review of the operational efficiency and effectiveness of the IFRS Interpretations Committee

Dear Mr. Solbes,

We are pleased to provide EFRAG with our comments in order to contribute to the finalization of the EFRAG comment letter on the *Review of the operational efficiency and effectiveness of the IFRS Interpretations Committee* (the “Committee”).

We welcome the fact that the IFRS Foundation Trustees, as part of their monitoring of the IFRS Foundation, are seeking to make a performance evaluation of the efficiency and effectiveness of the Committee in achieving its objectives and are requesting suggestions in order to improve its operations.

We appreciate the efforts made over the years by the Trustees and the Committee to enhance the operational efficiency and effectiveness of the Committee. We note that the Committee’s role could change in the near future, becoming increasingly important given the potential increase in submissions due to new IFRSs adopters and new standards. Furthermore, this could lead a consideration of the degree of involvement of the IASB in the Committee’s activities and a review of the role of the national standard setters as against the IFRIC as well as the IASB.

A number of enhancements have been already made, however some aspects could be further improved. In summary, the main concerns regard:

1. We believe that the wording for rejections should not express positions akin to an interpretation, that can result in a change in an accounting practice. Nevertheless, we acknowledge that it might not be always possible to meet the objective to give explanations of the rejections and, in the same time, to avoid interpretations of the wording of the rejections. Moreover, the agenda decisions are published in the IFRIC Update, which does not have the same authority as IFRSs. Therefore, given the potential impact of the rejections, we think that it would be important that they are approved by the Board. Doing so, the Board would ensure consistency between the potential effects of the explanations of the rejections and the IFRSs. This would attribute more official weight to the Committee's decisions.
2. We have some concerns about the consistent application of the Agenda Criteria. In order to assess the extent of an issue and the existence of significant divergent interpretations, we strongly believe that the involvement of NSSs is very important. We recognize that a liaison with the NSSs exists, however we think that it is not pursued in a consistent manner. For example, their input has not been requested for neither the accounting for stripping costs in the production phase of a surface mine, a topic that has led to a draft interpretation, nor for the recent issue added to the Committee's agenda regarding the contingent pricing of property, plant and equipment and intangible assets.
3. In our opinion, the 30-day consultation period for the Committee's tentative decisions is very limited. It does not always allow sufficient reflection and analysis of issues, respecting the normal due process requested for the approval of the official documents.
4. We think that the development of interpretation should not take into account the IASB's tentative decisions, as happened for the IFRIC 15 *Real Estate Sales*. Indeed, the consensus on interpretative issues should be based on the existing IFRSs and the Framework. The tentative decisions taken by the IASB are not authoritative IFRS literature.

Please find our comments on the specific points attached below.

1. Objectives and Scope of Activities of the Interpretations Committee

Comments have been requested in relation to the following:

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| 1. | <i>The Committee's stated objectives and scope of activities are appropriate to assist the IFRS Foundation and the IASB in meeting the objective of promoting the use and rigorous application of IFRSs.</i> |
| 2. | <i>The Committee understands its objectives and how these link with those of the IFRS Foundation and the IASB. This is reflected in the functioning of the Committee.</i> |
| 3. | <i>The Committee's activities appropriately reflect its objectives.</i> |
| 4. | <i>The Committee's experience and expertise are being efficiently and fully utilised by the IASB.</i> |

We support the Committee's stated objectives and scope of activities. They are appropriate to assist the IFRS Foundation and the IASB in meeting the objective of promoting the use and rigorous application of IFRSs.

As noted by EFRAG, in the near future it is foreseeable that the role of the Committee will become more important given the significant increase in the number of issues submitted to the Committee. In particular, this will be due both to the adoption of IFRSs by new countries and the approval of new accounting principles, including some particularly complex.

Therefore, the role of the national standard setters could be revised. Now, any individual or organisation can put forward issues to the Committee but, as already said, the number of stakeholders that will refer to the Committee will increase. In the light of this, the role of national standard setters could become more critical as it could help the Committee to understand the local instances. A better liaison between NSSs and the Committee would contribute to deal with the increasing number of requests of interpretations that probably will be submitted to the Committee in the near future.

We agree with the EFRAG proposal that the Committee could carry out some initial work when it notes a potential conflict between the existing IFRSs and its positions. It cannot resolve such conflicts but it may identify the issues and provide directional input to the IASB to solve them. This preliminary activity could deal with particularly urgent issues in order to assist the IASB, accelerating its work.

2. Membership

Comments have been requested in relation to the following:

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| 5. | <i>The Committee has a sufficiently broad range of collective expertise, experience and geographical balance to ensure its effective and efficient operation. The Committee membership achieves an appropriate balance of backgrounds and experience.</i> |
| 6. | <i>The size of the Committee is appropriate to achieve diversity of experience and background without being too large.</i> |

In our opinion the Committee membership and size are appropriate as well as the length of the members' mandate. Indeed, the current membership achieves a balanced representation of

backgrounds and experience of the interested parties. It also ensures a reasonably broad geographical representation. We believe that an increase in the size of the Committee would not enhance its effectiveness.

We agree with EFRAG about the importance for the Committee to be in close contact with the stakeholders in order to receive feedback about the practicalities and effects of its proposals. To improve the dialogue with users, it is extremely useful to understand if its proposals really meet their information needs.

3. Operating Procedures

Comments have been requested in relation to the following:

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| 7. | <p><i>Committee meetings are efficient and effective in terms of:</i></p> <ul style="list-style-type: none"> <i>(a) Frequency.</i> <i>(b) Length.</i> <i>(c) Geographical location (London).</i> <i>(d) Quality of agenda material.</i> <i>(e) Quantity of agenda material.</i> <i>(f) Timely provision of agenda materials (observer notes).</i> |
| 8. | <p><i>There is high quality participation and interaction in the discussion by Committee Members in reaching consensus.</i></p> |
| 9. | <p><i>Committee meetings are productive and achieve their full potential.</i></p> |
| 10. | <p><i>The Committee is optimally placed to meet the future demand of stakeholders.</i></p> |

We are in favour of meetings in which technical decisions are made being open for public observation. We think that this contributes to making its activity transparent.

We also support the frequency of the meetings, in terms of number of meetings per year and their length. However, in the future, it could be necessary to revise the current agenda time given the potential increase in the number of requests the Committee receives.

As noted above, the role of national standard setters could become more critical as it could help the Committee to understand the local instances and a better liaison between NSSs and the Committee would contribute to deal with the increasing number of requests of interpretations that probably will be submitted to the Committee in the near future.

Finally, we agree with the EFRAG's remark about the request for a longer period in order to permit NSSs to give input to the IASB staff on interpretative issues. We do think that granting a longer period is necessary to allow the NSSs the time to conduct due process and to provide a feedback that takes into account surveys and thorough analysis with the interested stakeholders.

4. Agenda Criteria

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| 11. | <i>The Criteria for the Committee’s interpretative agenda are appropriate and adequate.</i> |
| 12. | <i>The Agenda Criteria are applied appropriately and consistently.</i> |

We think that the Agenda Criteria are appropriate. We have noted in our comment letter to the consultation on “*Proposals to amend the Due Process Handbook for the IASB - Criteria for Annual Improvements to IFRSs*” that some of the criteria for the Committee’s interpretative agenda and those proposed to identify an amendment that could deal with in the Annual Improvements can overlap (i.e. no existing projects in the active agenda on this subject). That said, we think that the important thing is, however, to make clear the different objectives of the two: correcting or clarifying by amending the standards (improvement projects), or interpreting principles for how to apply them to specific situations (interpretations).

We agree with EFRAG’s remark about the consistent application of the Agenda Criteria. First of all, the development of interpretation should not take into account the IASB’s tentative decisions, as happened for the IFRIC 15 *Real Estate Sales*. Indeed, the consensus on interpretative issues should be based on the existing IFRSs and the Framework. The tentative decisions taken by the IASB are not authoritative IFRS literature.

Furthermore, in order to assess the extent of an issue and the existence of significant divergent interpretations, we strongly believe that the involvement of NSSs is very important. We recognize that a liaison with the NSSs exists, however we think that it is not pursued in a consistent manner. For example, their input has not been requested for neither the accounting for stripping costs in the production phase of a surface mine, a topic that has led to a draft interpretation, nor for the recent issue added to the Committee’s agenda regarding the contingent pricing of property, plant and equipment and intangible assets.

Moreover, as said above, we think that it would be appropriate to grant a longer period to provide input on the interpretative issues so an in-depth survey with the interested parties can be made.

5. Outputs from the Committee

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| 13. | <i>The Interpretations issued and Annual Improvements proposed meet the needs of the IASB and the IFRS Foundation.</i> |
| 14. | <i>The Interpretations issued are effective (their number, frequency and content) in meeting the needs of constituents.</i> |
| 15. | <i>The Annual Improvements issued are effective (their number, frequency and content) in meeting the needs of constituents.</i> |
| 16. | <p><i>Agenda decisions are issued when the Committee decides not to take an issue onto its agenda. Some of these agenda decisions do not propose any further action. The content of such agenda decisions is appropriate and sufficient when:</i></p> <ul style="list-style-type: none"> <i>(a) the Committee believes the Standards provide sufficient guidance</i> <i>(b) the Committee is unable to reach a consensus</i> |

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| 17. | <i>The consultative due process for agenda decisions is appropriate and sufficient.</i> |
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We agree with EFRAG that the 30-day consultation period for the Committee’s tentative decisions is very limited. It does not always allow sufficient reflection and analysis of issues, respecting the normal due process requested for the approval of the official documents.

With regard to the content of agenda decisions, we think that the wording for rejections should not express positions akin to an interpretation, that can result in a change in an accounting practice.

This is because these rejection notices are not subjected to a full due process and they are not adopted by the European Commission. We highlighted this point in our comment letter on IFRIC’s tentative decision on IAS 36 *Calculation of value in use*. In that letter, we pointed out that the reference to rare circumstances in which the DDMs may be applied is akin to an interpretation because it introduces facts not addressed by the principle.

Nevertheless, we acknowledge that it might not be always possible to meet the objective to give explanations of the rejections and, in the same time, to avoid interpretations of the wording of the rejections. Moreover, the agenda decisions are published in the IFRIC Update, which does not have the same authority as IFRSs. Therefore, given the potential impact of the rejections, we think that it would be important that they are approved by the Board. Doing so, the Board would ensure consistency between the potential effects of the explanations of the rejections and the IFRSs. This would attribute more official weight to the Committee’s decisions. Indeed, the rejections are not so different from amendments to application guidances of IFRSs that, instead, are approved by the Board.

6. Communications

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| 18. | <i>The Committee’s communications are optimal and effective (IFRIC Update and post-meeting podcast)</i> |
| 19. | <i>When appropriate, the Committee and/or the Committee staff liaises effectively with other similar interpretations bodies and National Standard Setters.</i> |
| 20. | <i>The Committee’s activities are sufficiently transparent to stakeholders.</i> |

We think that the Committee’s communications enable effective and timely information about its activities to be received.

With regard to the IFRIC Update, in certain cases, the agenda decisions are particularly brief, not providing a clear description of the issue. Therefore, we propose that the Update includes a more narrative explanation of the cases not added to the agenda.

7. Leadership

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| <i>Please rate the effectiveness of the Chair.</i> | |
| (a) | <i>Discussions are at the appropriate level of detail.</i> |
| (b) | <i>Discussions are focused on the right issues.</i> |
| (c) | <i>Issues are identified and deliberated in a timely and effective manner.</i> |

We have no specific comments on this point.

8. Interaction with the IASB

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| 22. | <i>The Committee interfaces effectively with the IASB</i> |
| 23. | <i>The IASB responds effectively to the IFRS Interpretations Committee's recommendations</i> |

We have no specific comments on this point, except what we have already said regarding a possible involvement of the Board in the approval of the Committee's rejection decisions.

9. List three aspects of committee's activities that, in your opinion, are working best

1. We support the Committee's stated objectives and scope of activities. They are appropriate to assist the IFRS Foundation and the IASB in meeting the objective of promoting the use and rigorous application of IFRSs.
2. We think that the Committee membership and size are appropriate as well as the length of the members' mandate. Indeed, the current membership achieves a balanced representation of backgrounds and experience of the interested parties. It also ensures a reasonably broad geographical representation.
3. We are in favour of meetings in which technical decisions are made being open for public observation. We think that this contributes to making its activity transparent.

10. List three aspects of committee's activities that, in your opinion, are in the most need of improvement

1. We believe that the wording for rejections should not express positions akin to an interpretation, that can result in a change in an accounting practice. Nevertheless, we acknowledge that it might not be always possible to meet the objective to give explanations of the rejections and, in the same time, to avoid interpretations of the wording of the rejections. Moreover, the agenda decisions are published in the IFRIC Update, which does not have the same authority as IFRSs. Therefore, given the potential impact of the rejections, we think that it would be important that they are approved by the Board. Doing so, the Board would ensure consistency between the potential effects of the explanations of the rejections and the IFRSs. This would attribute more official weight to the Committee's decisions.
2. We have some concerns about the consistent application of the Agenda Criteria. In order to assess the extent of an issue and the existence of significant divergent interpretations, we strongly believe that the involvement of NSSs is very important. We recognize that a liaison with the NSSs exists, however we think that it is not pursued in a consistent manner. For example, their input has not been requested for neither the accounting for stripping costs in the production phase of a surface mine, a topic that has lead to a draft

interpretation, nor for the recent issue added to the Committee's agenda regarding the contingent pricing of property, plant and equipment and intangible assets.

3. In our opinion, the 30 day-consultation period for the Committee's tentative decisions is very limited. It does not always allow sufficient reflection and analysis of issues, respecting the normal due process requested for the approval of the official documents.
4. We think that the development of interpretation should not take into account the IASB's tentative decisions, as happened for the IFRIC 15 Real Estate Sales. Indeed, the consensus on interpretative issues should be based on the existing IFRSs and the Framework. The tentative decisions taken by the IASB are not authoritative IFRS literature.
5. With regard to the IFRIC Update, in certain cases, the agenda decisions are particularly brief, not providing a clear description of the issue. Therefore, we propose that the Update includes a more narrative explanation of the cases not added to the agenda.

If you have any queries concerning our comments, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò
(OIC Chairman)