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EFRAG Supervisory Board  
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Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0302  
Date : Amsterdam, January 26, 2011  
Re : Comment on your draft comment letter Review of the operational efficiency and effectiveness of the IFRS Interpretations Committee ("the IFRIC").

Dear members of the EFRAG Supervisory Board,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to your draft comment letter regarding the review of the operational efficiency and effectiveness of the IFRIC.

As you can read in our response to the IFRS Foundation, which is attached to this letter, we believe that the more fundamental question to be answered is whether there is a continued need for the IFRIC, at least in its current form.

In our view it would make much more sense to abandon the IFRIC in its present form and integrate it with the IASB as a sub-committee that functions as a front office to separate matters in one of the two categories and ensures that these are processed in an orderly manner in accordance with their significance. We believe that this would add much more clarity and transparency to the IASB operations.

We recommend you considering to include our fundamental point of view in your letter to the IFRS foundation.

Yours sincerely,

Hans de Munnik  
Chairman Dutch Accounting Standards Board  
Copy: EFRAG Technical Expert Group

Appendix A to Comment on your draft comment letter regarding the review of the operational efficiency and effectiveness of the IFRS Interpretations Committee (“the IFRIC”).



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Our ref : AdK  
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Date : Amsterdam, January 26, 2011  
Re : Comment on request from the IFRS Foundation Trustees regarding the operational efficiency and effectiveness of the IFRS Interpretations Committee (“the IFRIC”).

Dear members of the IFRS Foundation,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to the request from the IFRS Foundation Trustees regarding the operational efficiency and effectiveness of the IFRIC.

We have decided not to respond to the specific questions in the questionnaire but instead provide you with our overall views. On the one hand, that has been caused by the fact that the questionnaire has too narrow of a focus, and thereby misses in our view the fundamental question: Is there a continued need for the IFRIC?

On the other hand we in many instances concur with the EFRAG Supervisory Board response to some of your specific questions and see no need to repeat their comments in every detail.

In a sense, we are relating our primary response to the two other reviews the Trustees are currently carrying out almost in parallel, i.e. on the Annual Improvements Process and on the Future Strategy. Whilst these are separate reviews, in many ways, at least in our view, they are interconnected and we wonder why they have not been usefully combined to come up with an overall assessment.

### **Is there a continued need for the IFRIC?**

We believe that the more fundamental question underlying this particular review is whether there is a continued need for the IFRIC, at least in its current form. In our opinion, that should be the real focus of the review rather than in a way re-deliberating certain aspects of the operations of the IFRIC.

Given the basis for the IFRIC agenda decisions - an issue is widespread and/or there is significant divergence in practice – that really begs the question whether such matters can be

resolved by further interpretation guidance. If queries pass that threshold test, they are in essence already issues that should be resolved by clarifying or amending the related standard, in other words this should be a matter for the full board. If queries do not pass that threshold test, they can be rejected, if insignificant, or included in the annual improvements process, where that is believed to be useful.

That raises the question whether there any issues in between, and if so how many, that warrant the existence of a separate committee with all its associated processes. We realise that the IFRIC receives many requests, but that does not necessarily mean that they do not fall in of the two categories mentioned above, i.e. above the threshold or below the threshold.

In our view it would make much more sense to abandon the IFRIC in its present form and integrate it with the IASB as a sub-committee that functions as a front office to separate matters in one of the two categories and ensures that these are processed in an orderly manner in accordance with their significance.

We believe that this would result in significant cost efficiencies by doing away with an in our view cumbersome process, that in a number of instances is very lengthy as well. The fact that important decisions, i.e. those that relate to significant issues, often remain unresolved for a long time, if not forever, proves our point. Issues that fall within the remit of the IFRIC should be resolved in a matter of months and not years. If issues are incapable of a speedy resolution, they should be elevated to the full board rather than linger with the IFRIC.

In addition, we think that restructuring the IFRIC in this way would add much more clarity and transparency to the IASB operations. That is the more important because with a number of significant economies adopting IFRSs in the next few years we can see the IFRIC potentially being swamped with interpretation requests in the short term.

### **Significant concerns and suggestions for improvements based on IFRIC in its present form**

Pending such a fundamental review as suggested by us above, there are additional concerns we have with the IFRIC in its present form. On the whole most of these raised in the EFRAG Supervisory Board comment letter, which we support and to which we refer in its entirety.

Matters raised therein, which we believe are of particular importance are:

- the agenda criteria are not always applied in an appropriate manner, especially the determination whether an issue is ‘widespread’ and/or ‘significant divergent’ in practice,
- some interpretations are based on tentative decisions taken by the IASB which are not authoritative IFRS literature,
- rejection notices should not be written as though they were authoritative guidance, as they are not subject to a full due process, and
- a 30-days comment period for tentative agenda decisions does not provide sufficient time to allow constituents a proper and timely response to the Committee, and should therefore be extended, the more so because they often include potential authoritative guidance.

Other matters that we believe should be considered in the context of your questionnaire are:

- Operating procedures: paragraph 50 of the Due Process Handbook indicates that IASB staff maintain liaison with National Standard Setters to identify interpretative issues

that the IFRIC might need to consider; we are unaware of any IASB staff person maintaining such liaison with us. In our view, this is a dead letter paragraph or at least it has been inoperative for many years; we can see the merit of such a relationship and would welcome it but if this has become impractical, then the handbook should be amended to reflect that unfortunate reality;

- Communications: in the last few years we have submitted two requests for interpretation to the IFRIC; such requests are not formally acknowledged and we have upon enquiry been given to understand that one should follow the IFRIC website and related podcasts to find out what has happened to these requests; in our view it is inappropriate to deal in such a manner with legitimate concerns raised by constituents and the IFRIC should revise its operations in this respect, if not only as a matter of courtesy;
- Leadership: we believe it is inappropriate to comment on individuals in the context of this questionnaire; and
- Interaction with the IASB: we are unable to comment on this point as we have no direct insight in the interaction with the IASB

On a final note, we revert to our comment letter on the IFRS Foundation Consultation document on the proposed amendments to the Due Process Handbook for the IASB – Criteria for Annual Improvements to IFRSs, dated November 18, 2010. Our main comments, and they underline the fact that all these reviews are interconnected, are repeated here:

- the distinction between an Annual Improvement amendment and an Interpretation is not clear; and
- the interpretation mechanisms of the individual standards setters (FASB and IASB) for standards that include the same guidance (in US GAAP and IFRS) should be coordinated.

We are happy to discuss any of our comments with you in more detail, should you so wish. In fact, we think that a broader debate, once you have received all comments, might be in order. This could be facilitated by round table discussions or individual visits to constituents. In our view, you should in any case consider an overarching discussion of all aspects of the IASB operations.

Yours sincerely,



Hans de Munnik  
Chairman Dutch Accounting Standards Board