

Mr Hans Hoogervorst  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH  
United Kingdom

Brussels, 15 June 2015

Dear Hans,

**Re: Public access to forthcoming Leases Standard**

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to invite the IASB to open its fatal flaw review process for the forthcoming Leases Standard to the general public. There is no doubt that the new Standard is a major change in financial reporting and we believe that it is in the interest of constituents as well the IASB to identify application issues before final publication.

We are well aware that the IASB does not favour public fatal flaw reviews because of the risk of delaying the whole process and of reopening debates. This was expressed by the IFRS Foundation last year in response to EFRAG's recommendation that public fatal flaw reviews be considered part of the IASB quality control procedures prior to publication of material changes to IFRS.

This letter does not intend to reopen the issue generically, rather to consider it in the particular circumstances of the Leases standard. Indeed, the new Leases Standard will significantly change the existing accounting practice for lessees. Almost all entities reporting under IFRS will likely be affected and impacts may be very material. We note that the IASB has put significant redrafting effort into the final standard, especially with respect to the definition, since the last public consultation. Significant judgment will be needed and unless entities are able to properly understand and apply the definition of a lease and the other requirements in the standard, there will be a significant and wasteful use of time debating possible interpretations, which will lead to a real risk of divergent application.

In relation to the timing concern, we note that the IASB intends to run a fatal flaw review anyhow; enlarging the scope of participants in the review does not add any step in the IASB due process and we doubt that a substantial delay automatically follows. Time spent before publication may well mean time saved after publication. Further, concerns such as these should not take precedence over ensuring that the final Standard is clear and unambiguous to the public at large.

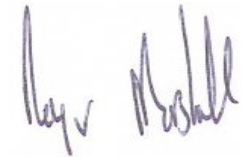
Regarding the objective of the public review, we believe that the IASB can clearly communicate that opening the fatal flaw review process to the general public is not meant to be an additional consultation on the requirements of the Standard. EFRAG understands and does not challenge that the IASB has concluded that they have fully complied with their due

*Forthcoming Leases Standard*

process. The objective is not to re-open the debate on the fundamental principles and decisions taken, but only to ensure that constituents understand the requirements and how to apply them. EFRAG engages itself to strictly observe the objective of the fatal flaw review and invite its constituency to do likewise.

If you wish to discuss our comments further, please do not hesitate to contact Françoise Flores or me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Roger Marshall". The signature is written in a cursive style with some loops and flourishes.

Roger Marshall  
**Acting President of the EFRAG Board**