



AUTORITE DES NORMES COMPTABLES

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Chairman

JH
n° 88

IFRS Foundation
To the Trustees
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Re: The Annual Improvement process : Proposals to amend the Due Process Handbook of the IASB :
Criteria for Annual Improvements to IFRS

Dear Sir or Madam,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the proposed amendments to the IASB Due Process Handbook which are intended to provide enhanced criteria to assist the IASB and interested parties when determining whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process.

The ANC welcomes the Trustees seeking to address concerns expressed by constituents regarding the annual improvements process (hereafter AIP). Indeed, the CNC was one of such constituents (see the CNC's letter to the Due process oversight committee of the Trustees dated 4th December 2009).

The ANC is concerned that the proposed criteria would not provide a sufficient and appropriate basis for assessing whether a matter relating to clarification or correction of IFRSs should be addressed using the annual improvement process, an amendment to a standard or through the interpretation process.

1. Unclear distinction between annual improvements and interpretations

As regards the comments below, the ANC would like to draw attention to the fact that, at the time being, annual improvements and interpretations are dealt with by the same body, namely the IFRS IC, which adds confusion to the whole debate about distinguishing criteria.

Distinguishing between annual improvements and interpretations based on the common features proposed for the two types of annual improvements

The proposals identify two types of annual improvements – clarifications and corrections – which share the following common features :

- a narrow and well-defined purpose, ie the consequences of which have been considered sufficiently and identified;
- conclusion may be reached on a timely basis, and
- existence of a pressing need to address the issue prior to the Board finalising a current or planned project which could solve the issue, if any.

Although not in disagreement with the above features in the context of annual improvements, the ANC notes that these three features are similar to those listed in § 24 (d)-(f) of the IFRIC Due Process Handbook. In this respect, we also note that the issues that should be dealt with through the AIP should, as for interpretations, also be widespread (as per IFRIC's due process handbook §24(a) so as to address pervasive needs. This, therefore, creates confusion as to under what process a specific subject should be addressed.

Moreover, still by comparison with the IFRIC's due process handbook, the ANC notes that the criterion “the consequences of which have been considered sufficiently and identified” has been added here above after “a narrow and well-defined scope”. This particular issue is all the more important since it was the trigger for the CNC's letter addressed to the Trustees' due process committee. In this respect, it may be worthwhile to further refine this criterion to address the meaning of “sufficient identification and consideration”. Also, as per the comment made above, the ANC considers that such feature should also apply to the interpretation process.

Distinguishing between annual improvements and interpretations as regards the notion of clarification

As regards clarifications, the proposals define a clarifying amendment as an improvement by clarifying unclear wording in existing IFRSs or by providing guidance where an absence of guidance is causing concern, with the objective of maintaining consistency with the existing principles within the applicable IFRSs.

The ANC is concerned with the fact that some of the proposals which would be considered clarifying amendments would also meet the objectives of interpretations as set out in IFRIC's Due Process Handbook § 18.

Should the proposals be carried forward, the ANC would consider it necessary for the Trustees to clarify which type of clarification should be dealt with by the IFRS IC with a view of producing an interpretation and which should be dealt with through the AIP.

2. Unclear distinction between annual improvements and other amendments to standards

“Pressing needs” criterion

With respect to the “pressing needs” criterion referred to above in point 1, the ANC notes that the IASB issues, on some occasions, exposure-drafts of amendments to standards to address issues the IASB considers need to be solved prior to the following year end. This was the case in 2009 with proposals regarding the discount rate of pension liabilities. It is again the case in 2010 with an exposure draft regarding income taxes which proposes to create an exception to the standard's principle. The ANC therefore wonders whether these two examples contradict the “pressing need” notion that underlies the proposals on annual improvements and on interpretations.

Corrections – conflicts between standards should not be resolved through the AIP

The ANC is concerned that the AIP may not be the appropriate process to resolve conflicts between existing requirements and that the criteria could lead to all such conflicts having to be dealt with through this process. In this respect, we refer to our letter to the IFRS IC dated 4th October 2010 regarding its proposed rejection on Put options over non-controlling interests. In this letter, the ANC noted that the resolution of conflicts between standards was beyond the IFRS IC's remit and welcomed the Board's decision to try to resolve the conflict between the two standards within the FICE project. Indeed, the issue is of such importance that the ANC considers it would not have been appropriate to deal with it within the AIP.

Should this proposal be retained regarding the AIP, and even though the proposals refer to “minor and relatively minor” conflicts (§27A and §65A(a)(ii), the ANC notes that more work needs to be done to distinguish the types of conflict that may be resolved through the AIP from those that ought to be resolved through the IASB’s other standard setting activities. For instance, the ANC considers that conflicting principles as well as conflicts between standards should not be addressed through the AIP.

Corrections – exceptions to principles should not be created through the AIP

The ANC is concerned with the fact that exceptions to principles may be dealt with through the AIP process.

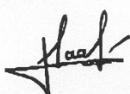
Indeed, the multiplication of exceptions to principles could lead to ending up with more of a “rules-book” than a “principles-book”. With the first “dent” in the principle potentially calling for another, the risk is also high that it is the principle itself that should be reviewed, which would warrant a wider project.

The ANC would therefore propose that this possibility be dropped from the proposals. Therefore both clarifications and corrections would share a 4th attribute in as much that they “would maintain consistency with the existing principles within the applicable IFRS and would not propose a new principle or a change to an existing principle”.

The comments expressed above are solely made within the context of the present proposals made by the IASB and do not address the broader question of the nature and need for clarifications and interpretations of IFRS, raised within the Trustees' Strategy Review consultation.

We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,



Jérôme Haas