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Paris, the 14 SEP. 2012

Monsieur Michel PRADA
Chairman of the Trustees

IFRS Foundation
30 Cannon Street
LONDON EC4M 6XH

Re : IFRS Foundation consultation on its Due Process Handbook

Dear Mr Prada,

The ANC is pleased to respond to this consultation on such an interesting and important document and matter.

The ANC notes that this document attempts to streamline in a way, by rationalising and putting them on paper, some new processes, consultation documents and vocabulary that have emerged over the last five years and left constituents disconcerted as to their purpose and place within the due process. Whilst the ANC approves of this, we consider that the proposed due processes fall short of reaching this objective of streamlining, which would improve efficiency.

In our view, more than the detailed procedures that this document deals with, it is essential to ensure that the due process does not become an overly formalised mechanical and box-ticking exercise that would be detrimental to setting the foundations of a new way of working between the IASB and all other parties, as the Trustees have themselves envisaged as a result of their Strategy Review. The objective of the handbook should not be to produce a checklist, but rather a mean of demonstrating to all constituents that the IASB followed due process, what it learned from its various consultation activities and how the information gathered has influenced its thought process and its final product.

Furthermore, the proposed handbook touches upon a number of new issues or processes for which discussions have not been finalised amongst which: network of national standard setters, working with regulators, effect analyses in their objective and methodology, consistency of application, post-implementation reviews, the process for research, interaction of IFRS and XBRL, etc. As a result of the fact that the discussion on these subjects is on-going, the proposed handbook is, to a certain extent, "disjointed". We believe that as when these subjects are resolved, they will need to be better incorporated in order to create a new, improved and more integrated way of doing global accounting standard setting and of providing new impetus to it.

In addition, the proposals made do not address concerns arising on substance through the process such as in the lease accounting process where constituents were consulted many a time in various manners and sudden changes of directions were made or in terms of how the conceptual aspects of IFRS are to be addressed. We believe that greater transparency on the reasons for the changes (in particular demonstration that they result from a consultation process in which representation was balanced) would enhance the credibility of the IASB and its due process. The reasons supporting the conclusion should be included in the documents that are part of the public domain.

We are of the view that it is of the utmost importance that the IASB takes into account as early as possible in its process the needs expressed by its constituents. Evidence of a need to improve financial reporting should be the starting point for the development of a standard, as already mentioned in our comments to the IASB's agenda consultation in 2011. Throughout the cycle of development of a standard, input and issues coming from constituents should be incorporated with a view to refining the proposals made. Such input should be provided to the IASB through its future network with national accounting standard-setters. This would enable to streamline the process and enhance its overall efficiency.

We formulate some more detailed comments in the Appendix. These comments are not framed in terms of the questions asked by the consultation as our analysis focused on whether the proposed processes achieved the principles that the handbook sets out for itself. Such comments may at first appear to be adding to the process. In our view, however, they primarily consist of streamlining the process by making it more cohesive, which will make constituents/stakeholders more at ease with it by avoiding having a myriad of rules that differ depending on whether one is at this or that level of document or process or within this or that type of consultation.


To conclude, the ANC expects a lot of issues to be resolved in terms of improving the efficiency of the due process and of the IFRS system as a whole through the discussions it currently has with its fellow national accounting standard-setters as we deem that it is at such level that streamlining and efficiency of the process may be achieved.

As you will understand from the above, the ANC stands ready to help the IASB and the IFRS Foundation address these issues in the interest of all parties involved in a comprehensive and cooperative manner centered around the national standard-setters working at your side.

Yours sincerely,

Jérôme Haas

The Handbook is a thick, rich and complex document : so is our contribution in a way.
In reality, there are many issues to be separated and thoroughly dealt with, in the best spirit of cooperation to make progress. We look forward to it.



Appendix: general comments on the due process handbook

The ANC approves the proposal to regroup in one document of the due process handbooks for the Due Process Oversight Committee (hereafter “DPOC”), the IASB and the IFRS Interpretations Committee (hereafter “IFRS IC”). This is viewed as very helpful in terms of ensuring an overall consistency of due process. To that effect however, the ANC regrets that the due process handbook relating to XBRL was not part of this document as it is of utmost importance that a tool such as XBRL does not impede the IASB’s due process in setting high quality principles-based accounting standards.

The ANC notes that this document attempts to streamline in a way, by rationalizing and putting them on paper, some new processes, consultation documents and vocabulary that have emerged over the last five years and left constituents disconcerted as to their purpose and place within the due process. The ANC approves of this, but regrets that at this stage, the document falls short of reaching this objective of streamlining, which would improve efficiency. In addition, some topics are discussed repetitively in various places in the document but not necessarily using the same terms. Hence, further streamlining could be achieved perhaps by setting out more clearly in a single section the due process principles and procedures that are common to all of the activities of the IASB, with separate discussions of the application of these principles and procedures to specific activities, when this is warranted.

Furthermore, the proposed handbook includes a number of new issues or processes for which discussions have not been finalised amongst which: network of national standard setters, working with regulators, effect analyses in their objective and methodology, consistency of application, post-implementation reviews, the process for research, interaction of IFRS and XBRL, etc. As a result of the fact that the discussion on these subjects is on-going, the proposed handbook is, to a certain extent, “disjointed”. We believe that as when these subjects are resolved, they will need to be better incorporated in order to create a new, improved and more integrated way of doing global accounting standard setting and of providing new impetus to it.

The ANC, like the IFRS Foundation, considers that **accounting standard-setting should be based on evidence of an existing need to improve financial reporting**. Therefore, this should be made more prominent in the due process handbook and all the processes should be undertaken with a view to contributing to that goal.

This, in our view, implies that the spirit of what the process is trying to achieve more than the letter should be the driver for how the organisation operates. Underpinning this is the fact that a box-ticking attitude should be avoided at all costs and that pragmatism and calibration of the process to the nature and stakes of the various issues that are tackled with should prevail. In this, the ANC insists on the fact that it is of the utmost importance for the process to be streamlined as much as possible in order to improve its efficiency. Such streamlining implies improved working relationships between the IASB and its fellow national accounting standard-setters with an aim to also avoid their common constituents’ consultation fatigue.

In terms of the due process principles, the ANC approves of the three principles (transparency, full and fair consultation, accountability) set out to govern the due process. As mentioned above, our analysis has focused on identifying whether the proposed due process actually achieves the principles it has set out for itself. The comments hereafter should be considered in the sense of streamlining the process by avoiding a myriad of different rules applying to different parts of the process. Moreover, the more the process is integrated, the more there is understanding and acceptance of the process and its outcome.

Transparency

In looking at the document in an “across the board” way, it appears to the ANC that the following aspects are not in conformity to the transparency principle.

DPOC

1. As regards the DPOC, and since transparency of deliberations for the IASB and the IFRS IC implies that their meetings are public, it follows that deliberations of the DPOC should be carried out in public meetings also.

IASB

In terms of the IASB’s due process, the same level of transparency should apply:

2. To all consultative processes (be it fieldwork, consultative groups, representative groups, written public consultation, public hearings, ...) for all stakeholders whose input is sought. This is in particular true as regards investors, which the IASB generally considers that their work is geared to, and where it is perceived that a significant part of the work is done in a non-transparent manner.

Without having to go all the way to all meetings being public, the ANC is of the view that national standard-setters have a role to play in these aspects as part of their work with the IASB within the network of standard-setters.

3. In terms of voting procedures, whether the vote required is that of a simple majority or a supermajority.

The notion of ballot voting is not understandable in the context of a process by which dissenting views and their authors are published in the consultation documents. It could be proposed that, prior to the drafting process of the consultation documents, the Board members be publicly presented with a summary of all technical decisions related to a project and be formally asked to vote and formulate whether and why they intend to dissent (or present an alternative view).

4. In terms of the process related to review drafts: the proposed due process handbook provides for a differentiated approach at the discretion of the IASB according to which the review draft may or may not be publicly available on the website and the comments of the reviewers are not made public, albeit without providing any form of criteria as to when one or the other approach will be implemented.

Whilst the ANC understands that a review draft is not the same as an exposure-draft, we consider that the process around these documents should provide for the same level of transparency regardless of the text about to be published. This implies that, should the IASB wish to have their drafts reviewed, such review should be available to all interested parties and changes made between the draft and the final publication should be made transparent and discussed at an IASB meeting.

The ANC would also suggest that review drafts are always made available as they would be the basis for ultimate and/or updated effect analyses, which are essential in the process for adoption of IFRS by some jurisdictions, in particular within Europe. The ANC strongly supports publication of review drafts, but suggests that the due process handbook should establish more clearly the purpose of these documents (to ensure that review drafts are not used to forgo publication of a re-exposure draft, when warranted) and how comments received are addressed by the IASB and its staff.

5. Regarding the assigned board members, the ANC notes that this proposal in fact simply makes public a process that is already in place. The ANC does not disagree with this and even finds this useful for the staff. We would find it even more useful if the implications for the general public were clearer: should constituents have issues on a project, should they seek to raise the assigned IASB member's attention on it as a matter of priority? Would these assigned IASB members be the ones to be the common factor on meetings with constituents or research work with national standard-setters?...

IFRS IC

6. As regards IFRS IC, there appears to be no reason to not publish the views of IFRS IC members who do not agree with the consensus proposed. With an increased part of the work of the organisation focusing on consistent application, the ANC considers that it is as equally important for those views to be made public as for those of dissenting IASB members as regards IFRS.

All bodies

7. All matters raised by constituents by way of correspondence towards the Trustees, the DPOC, the IASB or the IFRS IC should be made transparent, ie the submitter should be identified at the minimum by type of constituent and country of origin and the content should be made available. This is essential for stakeholders in their assessment when they are consulted.

XBRL

8. The ANC considers that the XBRL due process handbook should be included with the other manuals. This would help clarify the objectives and interactions between IFRS and XBRL and their respective teams, as these are for the time being very vague and ambiguous, as well as how an XBRL taxonomy is made consistent with IFRS in the context of principles-based standards.

Full and fair consultation

Full and fair representation in fieldwork

9. Fieldwork consultations should achieve a representational balance in terms of:
 - the types of stakeholders consulted;
 - the weighting given to the input provided between jurisdictions which apply IFRS and jurisdictions which do not apply IFRS.

Fair representation of input received

10. Appropriate weighting should be given between the input provided as part of a public and written consultation, fieldwork, consultative/representative groups and public hearings. This in our view implies:
 - to publish the identity of participants in all these activities, which would contribute to a balance consultation process and prevent over-consultation of a group of constituents in particular;
 - to clearly define the objectives of each activity/type of consultation;
 - to clarify what is intended with "integral part of the due process" for instance in the case of consultative/representative groups (for which the DPOC has a different level of implication).

Consultation periods

11. Consultation periods, regardless of the type of consultation, should be calibrated to the subject matter as well as to the period during which such consultations take place. This implies:
- to take into consideration the fact that other organisations need to be able to carry out their respective due processes;
 - to avoid major holiday periods and financial reporting closing periods (annual and half-year accounts) or, if not possible, to allow for more time than the minimum specified. In this respect, the ANC agrees with the extension of the comment period for rejection notices by the IFRS IC;
 - to be able to resolve matters in the case of urgency as proposed in the due process handbook. The ANC considers that as a new and more integrated process with national standard-setters will evolve, the better the interaction with all stakeholders will be. This should reduce the tension currently posed by the currently applied consultation periods.

IASB

12. The approval level for a request for information and for research papers published by the IASB should be of the simple majority of a quorum to be fixed for meetings attendance (see hereafter). The currently proposed approval level could imply that these documents, which could be important for the future of financial reporting and induce stakeholders to spend time, money and effort analysing them, could be published with only 5 members out of 16 members agreeing to the publication.

Stakeholder input

13. The due process handbook should clarify what impact the notion of a stakeholder expressing himself in his or her own capacity or as representative of an organisation has on the process (review drafts, consultative groups, etc.). If fair representation is provided at all stages of the process, the ANC considers this to be irrelevant and in practice, difficult to regiment.

Annual improvements

14. The ANC is of the view that major conflicts between existing requirements of IFRSs should not be solved through the annual improvements process. Further, we believe that the criteria of paragraph 5.13 should reflect the various criteria proposed in Appendix A of the IFRS Foundations Trustees' report on their review of the *Efficiency and Effectiveness of the IFRS Interpretations Committee*, issued May 2012.

Accountability

Placing responsibilities at the appropriate level

15. The ANC considers that the IASB should sign off and be responsible for all documents published for consultation, for all effect analyses as well as for all document justifying how and to what extent input has been taken into consideration in its deliberations such as feedback statements. For example, we note that paragraph 3.22 could be read to imply that it is the staff that is responsible for ensuring that the final publication reflects the technical decisions. It should be clear, that this is the responsibility of the IASB itself.
16. The analyses and documents provided to the DPOC for its supervision activity should be carried out and prepared by dedicated staff, in accordance with the conclusions of the Monitoring Board's governance review.
Whilst we welcome the creation of the position of Director of Trustee activities, the ANC considers that more staff is needed to help support the DPOC in its supervision activity.

DPOC

17. The supervision role of the DPOC should be exercised with the same scrutiny and intensity all along the process, especially in terms of the finalisation of due process documents. For example, it should be explicitly established that the DPOC should supervise the manner in which the views expressed in various consultations activities held in conjunction with a Discussion Paper have been addressed by the IASB and its staff in drafting a subsequent Exposure Draft. The ANC understands through the tables in the appendix that a number of reports are provided to the DPOC all along the due process. Before publication of a document, it is however unclear whether the DPOC satisfies itself and "signs off" the publication of the document or not as it is mentioned that it is informed of the publication of the document.
18. Clarification of the reasons for which a breach of process would not question decisions made should be provided. The ANC considers that this should not be the case for all situations otherwise there is little incentive to have a due process and follow it.

IASB

19. IASB members being full time members, meetings should only be held if a quorum of participants is reached. It may be implicit because they are full time that such is the case but the ANC notes that there is a quorum for IFRS IC meetings.
20. Effects analyses should be carried out for each phase of the standard setting process and go beyond a mere quantitative cost/benefit analysis. The ANC understands that the IASB is creating a group to define the methodology to carry out such effect analyses. However, it would probably be appropriate to have a discussion about what those effect analyses should cover. In view of the significance of the subject, the ANC considers that the discussion of what such effect analyses should cover according to the IFRS Foundation should be given more prominence than currently has been the case in the proposed handbook.
21. Post-implementation reviews should also have for objective to determine whether the standards being reviewed have achieved the objective assigned to them in terms of improving the quality of financial reporting. For the ANC, the proposed handbook does not make that clear enough even though it states that "the goal of improving financial reporting underlies any new IFRS" as it seems to focus on contentious issues and unexpected questions and costs of implementation. The ANC considers that assessing whether financial reporting has been improved in the way it was intended is an essential part of assessing the quality of the IASB's work.