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Mr Hans VAN DAMME
Acting Chairman
EFRAG Supervisory Board

35 Square de Meeûs

B-1000 Bruxelles

N° : 24

Re: EFRAG's proposal to enhance IFRS quality control

Dear Mr van Damme,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned consultation paper.

The ANC agrees with EFRAG that there are quality control issues with respect to IFRS. We do not, however, agree that EFRAG's proposal would appropriately address these issues.

To explain our views, we consider the topic to be wider.

Acting on quality earlier on in the standard setting process

We consider that the IASB's standard setting process should be enhanced in terms of the field tests, outreach activities and effects analysis in partnership with national standard-setters earlier on in the standard-setting process. We have always advocated that a closer working relationship between ourselves and the IASB all along the process would contribute to enhance not only the transparency of any outreach organised but also the understanding of constituents' issues and their respective contexts and the quality of the final standards.

Increased flow of amendments to standards

Since its first (and latest) consultation on the IASB's work programme, the IFRS Interpretations Committee appears to be dealing with more subjects and its area of activities has expanded from interpretations to amendments (annual improvements and narrow scope amendments, all subject to the IASB's approval). The agenda consultation indeed implemented a change in approach by increasing the focus on implementation issues. To some extent it has to be assessed whether this has raised expectations from constituents. We observe that this has in practice resulted in an increased flow of amendments to standards, some of which on very recently issued standards. Such flow imposes a heavy time and cost burden on constituents.

We note that this topic was discussed at the June 2014 IFRS Advisory Council meeting in the context of the level of principles, guidance and judgment in IFRS. We suggest that this be more thoroughly investigated, amongst other things by analysing the standards and the requests for interpretations, amendments, etc (on substance, by type of constituent and by country) related to the standards as well as the type of requests and the solutions achieved.

Reduced understandability of the recently issued standards

Beyond the lack of understandability of the standards in English, which we and others have pointed to on a number of our responses to the IASB on their consultation papers, we consider that some more recent standards are more difficult to translate. Indeed, new terms are used, with a lack of clarity about the differences between new terms and existing terms (for instance in terms of the level of materiality/significance...)

Regarding EFRAG's proposal, we have the following comments.

Lack of experience on IASB Implementation/Transition groups

We note that the IASB implementation/transition groups are a new tool that the IASB is adding to cater for implementation issues during the transition period. In addition, the two groups currently being implemented are different: as revenue recognition was a joint project with the FASB, it logically follows that the related transition group is also. On the contrary, the transition group on expected losses, which has just been set up, relates to a stand-alone IASB standard. The dynamics surrounding these groups will therefore be different. In addition, the IASB has not made clear what criteria are taken into account to assess the standards for which such groups may be constituted or useful and therefore for what other major projects (e.g. leases, insurance contracts) it might want to set up any such group.

In addition to the selection of the participants of both members and observers of such groups, their terms of reference are not yet very clear and the first group is only starting to operate. We do not therefore have any experience to take a view on whether such groups are useful or not, let alone on whether another solution, such as the one proposed by EFRAG, should be implemented.

Concerns about EFRAG's proposal

We note however that the group proposed by EFRAG is different from the above-mentioned implementation groups set up by the IASB. We are concerned about the following aspects:

- The implementation period as proposed by EFRAG could discourage certain entities from launching implementation, because of endorsement uncertainty ;
- In addition, consideration needs to be kept in mind of the varying endorsement systems across the world ;
- Such process could create confusion with respect to the role of the IFRS IC ;
- The focus on implementation issues could put at risk the global consistency of standards as, for instance, some issues are more cross-cutting or pervasive.

To conclude in essence, we consider that the issue is better resolved by enhancing the finalisation process of the standard prior to its publication.

EFRAG's process

In addition to the concerns we express regarding EFRAG's proposal as well as on the wider issue that needs to be tackled by the IASB, given the importance of resolving this issue for the future of standard-setting and of EFRAG's role in that process together with national standard-setters, we consider that it is inappropriate, considering the impending change of governance of EFRAG, for the current Supervisory Board to finalise proposals on this topic.

Should you need further explanations, please do not hesitate to contact us.

Yours sincerely,

Gérard Gil



ANC Board Member

ANC IFRS Commission Chair