



31 August 2012

Mr David Sidwell
Chairman, Due Process Oversight Committee
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

(By online submission)

Dear Sir

RESPONSE TO INVITATION TO COMMENT: IASB AND IFRS INTERPRETATIONS COMMITTEE DUE PROCESS HANDBOOK

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Invitation to Comment: *IASB and IFRS Interpretations Committee Due Process Handbook* (the “Handbook”), issued by the Trustees of the IFRS Foundation in May 2012.

General

We would like to start by commending the Trustees’ Due Process Oversight Committee (DPOC) for the review of its operating protocol and proposing changes to the IASB and the IFRS Interpretations Committee’s due process to enhance the efficient and effective development of IFRSs. We consider that this update to the Handbook is a timely one to ensure continued stakeholders’ confidence and transparency in the due processes of the IASB and the IFRS Interpretations Committee which would help the IFRS Foundation in meeting the challenges ahead in achieving its foremost objective of developing a single set of high quality globally accepted accounting standards.

We also appreciate that the Handbook no longer refers to the liaison roles that the IASB had with individual standard-setters when it was first set up. The new section titled “A national and regional network” in the Handbook highlights the important role that standard-setters perform throughout the IASB’s standard-setting process. We look forward to the IASB’s plans to develop a more formal network of standard-setters and for the IASB to co-operate more closely with the standard-setters. We strongly believe that a robust network of standard-setters would support the IFRS Foundation in achieving its foremost objective as stated in the preceding paragraph.

In this regard, we consider that national standard-setters have a key role to play to respond in a timely manner to the implementation needs of stakeholders applying IFRSs and to promote the consistent implementation of IFRSs across jurisdictions. As such, we believe that the IASB and the IFRS Interpretations Committee could work in partnership with national standard-setters on the implementation of IFRSs and that the IFRS Foundation should consider establishing a formal process for national standard-setters to issue local guidance that is endorsed by the IASB on the implementation of IFRSs in their respective jurisdictions as part of the implementation and maintenance of IFRSs. Such implementation guidance issued by the national standard-setters should give due regard to the local legal, economic and business operating environment and must not conflict with IFRSs.

In addition, we think that there should be greater visibility on the DPOC and its work, which ought to be publicly communicated regularly. Although there is now a DPOC section on the IFRS Foundation website and the IFRS Foundation's annual reports include reports from the DPOC, it is important to continue to create greater public visibility on the DPOC's role and work such that there is increased public confidence in the IFRS Foundation's oversight function and commitment on a high quality and transparent due process of the IASB's standard-setting activities.

Furthermore, we strongly support the conduct of Post-Implementation Reviews (PIRs) for each new IFRS or major amendment. We believe that a PIR is a critical step that is aligned with the goal of improving financial reporting. We appreciate the recent work that the IASB had done with regard to the PIR of IFRS 8 *Operating Segments* and we look forward to the work that would be done by the IASB on PIRs of other new IFRSs and major amendments.

Our comments on the specific questions in the Invitation to Comment are as follows:

Question 1

The Trustees' have included an introductory section dealing with 'oversight', and the responsibilities of the DPOC (see paragraphs 2.1–2.15). Do you support the inclusion and content of this section? Why or why not?

We agree with the inclusion in the Handbook of a section on oversight and the responsibilities of the DPOC as we consider that this would provide further transparency on the role of the DPOC. We also generally agree with the content of this section as outlined in the Handbook.

Question 2

The DPOC have created a Due Process Protocol in the form of a table that shows the steps that the IASB must, or could, take, as well as reporting metrics to demonstrate the steps that they have taken, in meeting their due process obligations (see Appendix 4).

Do you agree with the idea that such a table should be maintained on the public website for each project? Why or why not?

We support the maintenance of a due process protocol on the IFRS Foundation website for each project as this would improve the transparency of the IASB's standard-setting process. We believe that this additional step would also promote a greater public visibility on the DPOC's role and work.

Question 3

A research programme is described, which we expect will become the development base from which potential standards-level projects will be identified (see paragraphs 4.9–4.22). In addition, a new section on maintenance has been added, which formalises the practice that the IASB and the Interpretations Committee have been following for addressing matters that are narrow in scope. It clarifies that the more formal project proposal processes were always intended to apply to new IFRSs and major amendments. The IASB has the discretion to initiate changes that are narrow in scope to IFRSs as part of the general maintenance of IFRSs. The new section also explains how the activities of the IASB and the Interpretations Committee are closely related (see paragraphs 5.11–5.20).

Do you agree with the distinction between narrow-scope projects, which come under the heading of maintenance and comprehensive projects, which come under the heading of development of IFRSs? Why or why not?

Do you agree with the introduction of a separate research programme that will likely be the development base from which potential standards-level projects will be identified? Why or why not?

Distinction between narrow-scope projects and comprehensive projects

At a broad level, we agree that there should be a distinction between the due process steps for minor or narrow scope projects and comprehensive projects. We believe that it is not necessary for minor or narrow scope projects to follow the formal consultation process as set out in the Handbook before the IASB places them on its technical work programme. However, we have the following comments:

Scope of the implementation and maintenance section

We believe that minor or narrow scope amendments to IFRSs that propose a new principle or a change to an existing principle should not be included in the implementation and maintenance section as such amendments do not relate to the implementation and maintenance of IFRSs. We recommend the IFRS Foundation to consider how such amendments are to be dealt with within the Handbook and to correct paragraph 5.5¹ of the Handbook accordingly.

¹ Paragraph 5.5 of the Handbook states that “minor or narrow scope amendments to IFRSs, including Annual Improvements, do not need to follow the formal consultation process set out in paragraphs 5.1–5.3 of the Handbook before being added to the IASB's technical work programme because such amendments are part of the implementation or maintenance of IFRSs.”

In addition, we also note that there appears to be a drafting inconsistency in the Handbook on the scope of the implementation and maintenance section. Specifically, the implementation and maintenance section describes only Interpretations (see paragraphs 5.11 to 5.20 of the Handbook) and does not cover “minor or narrow scope amendments to IFRSs, including Annual Improvements, that do not propose a new principle or a change to an existing principle”.

As such, we recommend that the IFRS Foundation refine the maintenance and implementation section to make it clear that it also covers “non-Interpretations” type of minor or narrow amendments to IFRSs, including Annual Improvements, that do not propose a new principle or a change to an existing principle.

Introduction of a separate research programme

We agree with the introduction of a separate research programme that will likely become the development base from which potential standards-level projects will be identified. However, we have the following comments:

Criteria for adding projects to the research programme and criteria for the prioritisation of projects included in the technical work programme

We note that the Handbook is silent on the criteria to be used by the IASB to (i) add projects to its research programme; and (ii) prioritise projects included in its technical work programme. We further observe that the IASB has recently deliberated on the feedback received in response to its three-yearly agenda consultation document and expressed support to (i) add a number of projects to its research programme; and (ii) accord priority to a number of standards-level projects and research programme projects².

Although the process to determine whether a project should be added to the research programme and if priority should be accorded to certain projects is transparent, the outcome of that deliberation process appears arbitrary given the absence of a set of prescribed criteria used by the IASB in making those decisions. As such, we recommend the IFRS Foundation to articulate in the Handbook the criteria for adding projects to the IASB’s research programme and the prioritisation of projects in the IASB’s technical work programme.

We consider that the articulation of the criteria for adding projects to the research programme would provide clarity on the distinction between the research programme and standards-level projects. Without this distinction, we are concerned that an artificial distinction is created between the research programme and the standards-level projects where such a distinction could be unnecessary.

Furthermore, having a set of prescribed criteria for adding projects to the research programme and the prioritisation of projects included in the technical work programme would reinforce the transparency and accountability of the IASB’s deliberation process, particularly in the light of the

² Standards-level projects accorded priority are IAS 41 Agriculture (in relation to bearer crops), rate-regulated activities and the equity method in separate financial statements. Research programme projects accorded priority are emission trading schemes and business combinations under common control.

diverse and competing financial reporting needs of global stakeholders, and the limited time and resources available to both the IASB and its global stakeholders to work through those projects. We believe it would also build global stakeholders' confidence in the IASB's standard-setting process and enhance the legitimacy of the resultant IFRSs.

Question 4

Two changes to comment periods are proposed. The first would increase the minimum comment period for exposing the draft of a rejection notice of a request for an Interpretation request from 30 days to 60 days (see paragraph 5.16). The other change relates to the re-exposure of a document. The DPOC is proposing to allow the IASB to have a reduced comment period of a minimum of 60 days for documents it plans to re-expose, if the re-exposure is narrow in focus (see paragraph 6.26).

Do you agree with the changes in the comment period lengths for rejection notices and re-exposure drafts? Why or why not?

We agree with the change in the comment period length for rejection notices.

However, we disagree with the reduced minimum comment period of 60 days for re-exposure drafts. Though we appreciate the IFRS Foundation's rationale to have a reduced comment period if the re-exposure drafts are narrow in focus ("narrow-focused re-exposure drafts"), we believe that a minimum comment period of 60 days for narrow-focused re-exposure drafts is inappropriate. We further note that this proposed minimum comment period is shorter than the minimum comment period of 90 days for Annual Improvements, which deal with proposed amendments to IFRSs that we consider are far narrower in scope as compared to the proposals in a re-exposure draft.

We believe that a minimum comment period for narrow-focused re-exposure drafts of at least 90 days would be more reasonable to balance the IFRS Foundation's objective to mitigate undue delay in the publication of a final IFRS with the amount of time that stakeholders would need to understand the revised proposals and provide well thought through comments to the IASB, even though the re-exposure could be deemed as narrow-in-focus. Notwithstanding the aforesaid, we trust that the IASB would continue to cater for a sufficient comment period length for re-exposure drafts where the focus is not narrow.

Question 5

Are there any other matters in the proposed handbook that you wish to comment on, including matters that are not covered by the handbook that you think should be?

We have no other comments on other matters in the Handbook.

We hope that our comments will contribute to the DPOC's review of the IASB and IFRS Interpretations Committee Due Process Handbook. Should you require any further clarification, please contact Ivan Koo at ivan_koo@mof.gov.sg.

Yours faithfully,

Suat Cheng GOH (Ms)
Technical Director
Singapore Accounting Standards Council