



29 August 2012

Chairman of the Trustees
IFRS Foundation
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UNITED KINGDOM

Email: commentletters@ifrs.org

Attention: Mr Michel Prada

Dear Mr Prada

Invitation to Comment *IASB and IFRS Interpretations Committee Due Process Handbook*

Introduction

1. The External Reporting Board (XRB) of New Zealand, through its sub-board, the New Zealand Accounting Standards Board (NZASB), is pleased to make this submission on the Invitation to Comment on the *IASB and IFRS Interpretations Committee Due Process Handbook* (the Handbook).
2. The XRB is an independent Crown Entity responsible for financial reporting strategy and the development and issuance of both accounting and auditing and assurance standards in New Zealand. The NZASB has delegated authority from the XRB Board to develop or adopt and issue accounting standards for general purpose financial reporting in New Zealand.

General Comments

3. In general, we consider it important that the activities of the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) are subject to robust and transparent due process oversight. In this regard, we strongly support the principles of transparency, full and fair consultation (considering the perspectives of those affected by IFRS globally) and accountability that underlie this due process. We also support the many additions and clarifications to the Handbook in relation to the work, processes and procedures of the IASB and the IC. The proposed enhancements to the Handbook are important to New Zealand as a jurisdiction that adopts International Financial Reporting Standards (IFRSs). The enhancements are also important for the XRB and the NZASB who are required under the law to ensure that affected constituents have been consulted when IFRSs are adopted in New Zealand.

Specific Comments

4. Notwithstanding the above general comments, we have the following specific comments on the proposed updates to the Handbook. They relate to:
 - a. Extent of due process oversight;
 - b. Notification of outreach activities;
 - c. Adequacy of effective dates and transition periods; and
 - d. Multiple exposures of a draft standard.

Extent of due process oversight

5. We note the very extensive and detailed due process steps, procedures and accountability that the IASB and the IC have to undergo when carrying out each aspect of their work. Even in those instances where a particular step of due process is not mandatory, the IASB is required to “comply or explain”. We are concerned that these steps, procedures and accountabilities, even in respect of non-mandatory steps, may be overly time-consuming and rigid. We are concerned that scarce IASB Board and staff resources may be spent explaining and justifying their due process to the detriment of the actual standard-setting work, and may encourage performance of unnecessary due process steps to avoid having to “explain”. It may also hinder the IASB and the IC from initiating projects and/or addressing and responding promptly to constituents’ concerns. We recommend that the requirement to “comply or explain” be eliminated for the non-mandatory steps.

Notification of outreach activities

6. We note, and support, the increase in the types of outreach activities in each aspect of the IASB’s and IC’s work, some of which are mandatory but many of which are optional. We also note that, in the Handbook, references to outreach activities are focused mainly on reporting back to the DPOC on what has, or has not, been carried out by the IASB and justifications for the IASB’s actions rather than on communicating with constituents generally that such outreach activities are to be carried out.
7. Regardless of whether the outreach activities are mandatory or optional, where the IASB decides to conduct an outreach activity in a particular jurisdiction or region, we recommend that the IASB communicates its intention promptly to the relevant national and regional standard setter, to allow them sufficient time to decide whether they wish to participate in a particular outreach activity. The standard setter can assist the IASB or IC by organising complementary activities at the same time, or encouraging participation by constituents. We also recommend that, where an entity voluntarily participates in an outreach activity, the IASB ensures that the relevant national standard setter is informed.

Adequacy of effective dates and transition periods

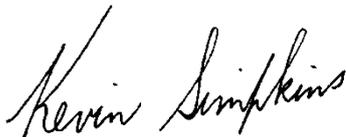
8. We note that the IASB is required to consider the effective date and transition provisions when finalising an IFRS or an amendment to an IFRS so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems and those applying IFRSs have sufficient time to prepare for the new requirements.
9. We strongly support this requirement. It is particularly important for jurisdictions like New Zealand where, in addition to the NZASB and the XRB having to approve the issue of an

IFRS or an amendment to an IFRS for application, the general legislative requirement is that an IFRS or an amendment to an IFRS takes effect only on the 28th day after its notification in the Gazette (the official government newspaper). This can further reduce the transition period for entities applying those standards.

Multiple exposures of a draft standard

10. We note that on many occasions in the past, the IASB has issued a second exposure draft on a particular project. While there will be instances where, in response to constituent comment, there is a good reason to re-expose a particular aspect of a draft standard, there are cases where re-exposure has been necessary because the original proposal was not well-developed. It is time-consuming for constituents to have to consider and reconsider issues at the exposure draft stage. It is also not effective or efficient use of IASB Board and staff time.
11. We strongly support the inclusion of a research phase in the Handbook and hope that this will reduce the incidence of unnecessary re-exposures by allowing concepts and requirements to be better developed before they are exposed for comment.
12. Please do not hesitate to contact us or Lay Wee Ng [laywee.ng@xrb.govt.nz] if you need any further information.

Yours sincerely,



Kevin Simpkins

Chairman
XRB Board



Michele Embling

Chairman
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