

30 September 2005

Technical Corrections Policy
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir

IASB [proposed] Policy on Technical Corrections

On behalf of the European Financial Reporting Advisory Group (EFRAG) I am writing to comment on the IASB [proposed] Policy on Technical Corrections. EFRAG welcomes the IASB's continued efforts to make its procedures as efficient and effective as possible, and we support the decision to consult publicly on this proposed procedural change.

This letter is submitted now in order to respond in a timely manner to the IASB's invitation to comment. However, although the IASB's proposals have been discussed by the EFRAG Technical Expert Group and EFRAG's Consultative Forum of Standard Setters, there has not been sufficient time to consult publicly on this letter's content. It is possible that our comments would have been different had we been able to follow our normal due process.

There are in effect three elements to the proposals. Those elements, and our comments on them, are as follows:

- (a) For a certain type of amendment to an existing standard, the proposal is that both the draft and final amendment will be published in only two forms: electronically and in IASB Update. We believe this is a satisfactory alternative publication strategy to the strategy that is currently applied. We therefore support the proposal.
- (b) For that same type of amendment, the proposal is that the draft amendment would be the subject of a shortened—ie 30-day—comment period.

The IASB sets standards for use all over the world and it is very important that all users of its standards are able to participate fully in their development and refinement. We doubt that a 30-day comment period would allow sufficient time for translation or even for wide dissemination, so it would mean that only a subset of the IASB's constituents would be able to participate in the due process.

If one believes in the value of a proper due process, allowing only some constituents to participate in the due process would be acceptable only if the nature of the amendment proposed is such that, in reality, no public consultation process at all is needed. We think that would probably be the case only where there is an error in a standard and that error and the way in which it should be corrected is obvious to everyone. We recognise that this is a very narrow range of issues.

Finally, to avoid subsequent disputes it might be worth clarifying from which date the 30-day period will run—from the date the draft technical correction is posted on the website or from the day it is published in IASB Update?

- (c) The only type of amendment that the proposals in 1 and 2 will apply to are ‘Technical Corrections’, which are defined as an amendment to an existing standard that addresses either (i) an issue for which it is clear that the words in a standard do not properly convey the IASB’s intention, or (ii) unexpected consequences of a standard that the Board would have corrected, had it been aware of them when the standard was issued.

In paragraph (b) we explained that, in our view, it is appropriate to use a 30-day comment period only when there is an error in a standard and that error and the way in which it should be corrected is obvious to everyone. The proposed definition of a Technical Correction goes far beyond that. For example:

- it is sometimes not clear from a standard and its supporting material what the IASB’s intention was when it drafted a particular sentence—all the reader has to go on is what the standard actually says. In these circumstances amending a standard so that the words convey the IASB’s intention may not be uncontroversial.
- even when the IASB’s intention is clear, a requirement in a standard—though not in line with that intention—may be perfectly sensible. In such a circumstance, compliance with a Technical Correction could involve a restatement. We do not think it appropriate that a shortened comment period should be used when the effect of the amendment could be a restatement.
- amendments to address unexpected consequences of a standard will also often not be straightforward and uncontroversial.

This suggests that, unless the IASB can find ways of mitigating the negative effect that shortening the comment period to 30 days would have on the consultation process, the IASB is focusing its Policy on Technical Corrections on the wrong category of issues.

One final comment. In theory if the IASB introduced enough checks and balances it ought to be possible to eliminate the possibility of making errors when developing standards. In practice, some errors are inevitable. What is important though is that an appropriate balance is achieved so that the need for Technical Corrections is rare. In our view, a regular and frequent flow of Technical Corrections means that more care and time needs to be taken in finalising standards.

We hope that you find the above comments helpful. If you wish to discuss them further, please do not hesitate to contact Paul Ebling or myself.

Yours sincerely

Stig Enevoldsen
EFRAG, Chairman