



Our Ref.: C/FRSC

26 July 2019

Erkki Liikanen
The Trustees of the IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Erkki,

Proposed amendments to the IFRS Foundation Due Process Handbook

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing and ethics for professional accountants, in Hong Kong. We are grateful for the opportunity to provide you with our views on the proposed amendments to the IFRS Foundation Due Process Handbook.

The HKICPA appreciates the efforts of the Trustees of the IFRS Foundation, through their Due Process Oversight Committee (DPOC), to ensure that the IFRS Foundation due process remains fit for purpose and continues to reflect best practice. We generally support most of the proposals to refine the due process as they are to reflect existing practice of the IASB and the IFRS Interpretations Committee. However, the HKICPA has some concerns about the due process procedures relating to agenda decisions and educational material.

Agenda Decisions

The HKICPA was informed that many constituents find it difficult to keep track of ongoing tentative or final agenda decisions. Given this situation and the function of agenda decisions in supporting consistent IFRS application, the HKICPA is concerned that the high volume of agenda decisions that are being issued is not an effective tool. The HKICPA's concern is exacerbated by the proposal to provide the IASB with the ability to publish its own agenda decisions which will result in even more agenda decisions. We also have concern that agenda decisions maintained separately from the Standards and published a long time ago may no longer be relevant to the existing standards. In this regard, we recommend the IFRS Foundation considers the following:

- a) For agenda decisions that are likely to lead to a prevalent and significant change in practice (which can be identified through the responses that the IFRS Interpretations Committee receives during its tentative agenda decision consultation), the IASB should add clarification of the principles and requirements in the body of the Standards (ie issued as mandatory guidance in part A of IFRS Standards) or in the illustrative examples in part B of IFRS Standards (non-mandatory guidance). This might be done through the annual improvements process. Clarifications made this way are easier for constituents to follow. Issuance of additional clarification in the body of the Standards would also benefit from clear transition requirements/effective date.



- b) For agenda decisions that are purely educational in nature and are unlikely to lead to a prevalent/significant change in practice, the IASB could instead incorporate the non-mandatory guidance into its other forms of educational material, eg webcasts, articles.

The HKICPA understands that the IASB's full due process is required if adding clarification of the principles and requirements in the body of the Standards (part A) and illustrative examples (part B), and this may delay the issue of final guidance. Nevertheless the HKICPA thinks that the benefits of having the guidance mentioned in point (a) above as part A or B of the Standards would justify this delay.

Educational Material

The HKICPA supports the proposal to clarify that all educational material should be subject to at least some level of IASB member review. However, we note that the proposed category stated in paragraph 8.10(c) 'material explaining or illustrating how the requirements in an IFRS Standard might be applied to particular transactions or circumstances' appears similar to part B of the Standard but the educational material is not subject to any external due process. We suggest that such educational material that is likely to lead to a prevalent and significant change in practice, should be included in part B of the Standards which is subject to the IASB's full due process, and not in other forms.

Finally, if the DPOC were to proceed with its current proposal on agenda decisions and educational material, the HKICPA recommends that the IFRS Foundation should consider ways to raise the awareness of the existence and nature (ie non-mandatory) of this guidance (eg publish an individual news story for the issuance of tentative agenda decisions and finalised agenda decisions, provide educational updates for constituents).

If you have any questions regarding the matters raised in this letter, please contact me or Katherine Leung (katherineleung@hkiipa.org.hk), Associate Director of the Standard Setting Department.

Sincerely,

A handwritten signature in black ink, appearing to read 'CNg', written in a cursive, fluid style.

Christina Ng
Director, Standard Setting Department