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Date
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EFRAG's proposal to enhance the quality control of IFRSs

Dear Ms Slomp

As the German Insurance Association (GDV) we welcome the opportunity to comment on EFRAG's draft letter to the International Accounting Standards Board (IASB) regarding the proposal to enhance IFRS quality control procedures, as published by EFRAG on the 6 June 2014. The GDV appreciates the transparency with regard to the suggested action.

The GDV explicitly acknowledges and fully supports the considerable efforts undertaken by the IASB to achieve a single set of globally accepted high quality international financial reporting standards (IFRS) and to finalise the outstanding major standard projects in the near future. In particular, we appreciate the already undertaken activities of the IASB aiming to ensure that principle-based requirements of IFRSs are being implemented on a globally consistent basis across countries.

Nevertheless, the GDV supports the [draft] letter of EFRAG Supervisory Board as it addresses some concerns we share. There used to be an unavoidable tension between the desire to close the projects on short-time basis when near final and the need to take into account that principle-based character of standards requires an appropriate level of accuracy in wording and high level of consistency with the main standard texts, application guidelines, illustrative examples and the rationale presented in the basis for conclusions.

The GDV clearly opposes any attempts to implicitly delay IASB's standard setting processes while requiring steps which are not usually made by the IASB in case of specific projects. We consider however the draft EFRAG's letter as a general suggestion, without a direct link to any current project. Furthermore, the GDV explicitly supports the previous proposal of EFRAG to incorporate constituents into the **extended fatal flaw review process** when finalising the standards.

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We believe that the different rationale for this review step in comparison to the objective of the 'normal' comments regarding the discussion papers' or exposure drafts' step is obvious and widely known and understood by constituents. Thus, we do not share the reservations of IASB regarding the EFRAG's suggestion.

The GDV supports the suggested proposal to introduce an "**implementation stage**" and set up an '**implementation team**' dedicated to specific projects as valid alternative to the extended fatal flaw review process and considers it even as a superior one. Both elements of the alternative implementation solution are suitable to produce relief during the challenging phase of the real implementation of new standards' requirements. In particular, we strongly support the suggestion to allow formal public comments on the implementation team's tentative decisions. It needs to be ensured that tentative decisions and also the underlying rationale are explicitly subject to public consultation within a period of time being of appropriate length. In any case, the implementation team needs to **operate on a fully transparent basis**. Regarding our further comments we refer to our responses to Questions 1 and 2.

Finally, we suggest making explicitly evident in the letter why EFRAG believes that the existing IFRS Interpretation Committee is not suitable to produce a relief to preparers and statutory auditors during the implementation period. In particular, we believe that a **clear distinction of responsibilities is indispensable**. For our rationale we refer to our response to Question 3.

We hope that our comments will be helpful to EFRAG in reaching final conclusions on the suggested letter to the IASB.

If you would like to discuss our comments further, we would be delighted.

Yours sincerely,



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Head of Accounting
German Insurance Association



Dr. Adam Gieralka
Manager Accounting
German Insurance Association

Annex

Question 1

Do you agree with EFRAG that some specific standard setting process step involving the public at large is necessary to further enhance quality control of IFRS? Please explain your views.

The GDV shares the observations of EFRAG Supervisory Board expressed in the [draft] letter. In addition, we explicitly believe, that experience and professional advises provided by constituents should not be neglected by the IASB during any step of the standard setting process. The inclusion of an 'implementation stage' is a useful suggestion to give an appropriate consideration to practical experience of preparers and statutory auditors when applying any standards under real circumstances.

We agree with the EFRAG's proposal to implement "lighter" due process requirements for amendments and clarifications that may appear necessary when the real implementation efforts start as we would also not expect "major" flaws for which the usual due process should be followed. However, we encourage EFRAG to make more explicitly in the final letter how the IASB might distinguish the "major flaws" and flaws which are not considered to be "major". To make it explicitly on a conceptual basis might be challenging but it would improve the existing quality of this letter and of the proposal itself.

Question 2

Do you support the proposal made by EFRAG? Please explain your views?

The GDV supports the proposal of EFRAG for reasons provided in the cover note above. We believe that EFRAG's proposal creates a useful opportunity to ensure that the fatal flaws at very last stage of standard setting process are still considered in an appropriate manner. Especially, we support the EFRAG's proposal as it does not question the final responsibility of the IASB to decide on how to address identified inconsistencies or any other need for clarifications.

We believe that it is essential that any dedicated implementation group has a balanced composition that ensures an appropriate consideration of different views as during the standard setting process itself. For example, excluding the views of statutory auditors or regulators might lead to unnecessary confusions afterwards.

Question 3

Would you favour alternative proposals? If so, what are they?

We believe that some adjustments to IFRS Interpretations Committee could make this body of experts responsible to deal with implementation issues as targeted in the [draft] letter.

However, we clearly prefer the EFRAG's suggestion for an 'implementation' team as it would be occasionally created for specific standards projects and therefore allow temporary involvement of highly specialized specialists which might be different persons depending on topics to consider. Nevertheless, we believe that a clear distinction of responsibilities of different bodies is indispensable to avoid unnecessary confusions by preparers of financial statements or other constituents.

Therefore, we suggest making explicitly evident in the letter why EFRAG believes that the existing IFRS Interpretation Committee is not suitable to produce a relief to preparers and statutory auditors during the challenging implementation period.

In general, we believe that an extended fatal flaw review process with public involvement and an implementation solution as suggested by EFRAG might be both beneficial to quality of IFRS-Standards' requirements and therefore they might co-exist and should not be treated as contrary proposals as they serve a different objective. To avoid a potential duplication of efforts, the different objective of both should be clearly defined in an explicit way.