

# AGENDA PAPER

IFRS Foundation Trustees meeting—Due Process Oversight Committee

JAKARTA	25 MAY 2016	<b>Agenda ref</b>	<b>3D(i)</b>
PRESENTER	HUGH SHIELDS		
CONTACTS	RITA OGUN-CLIJMANS <a href="mailto:rogun-clijmans@ifrs.org">rogun-clijmans@ifrs.org</a>	+44-(0)20 7246 6410	
	RICHARD FRASER <a href="mailto:rfraser@ifrs.org">rfraser@ifrs.org</a>	+44-(0)20 7246 6958	
	RACHEL KNUBLEY <a href="mailto:rknubley@ifrs.org">rknubley@ifrs.org</a>	+44-(0)20 7246 6433	

## IFRS® Taxonomy Due Process: comment letter summary

### Introduction

1. The purpose of this paper is to provide a summary of the feedback received in response to the Foundation’s public consultation paper *Invitation to Comment: IFRS Taxonomy Due Process* (‘the Invitation to Comment’), which was issued on 4 November 2015 with a comment deadline of 3 February 2016.
2. This paper also provides a summary of the outreach activities the staff undertook with the IFRS Taxonomy Consultative Group (see paragraph 39 of this paper).

### Overview of responses

3. We received 16 comment letters which are available on the Foundation’s website.<sup>1</sup> We also received feedback from other outreach activities. Appendix A includes a list of respondents and a statistical summary by type of respondent and geographical region.
4. In addition, our analysis includes comments on the IFRS Taxonomy due process made by respondents to the consultation document *Request for Views—Trustees’ Review of Structure and Effectiveness: Issues for the Review* (‘the Request for Views’) published in July 2015.<sup>2</sup> Appendix B provides the names of the six organisations that responded to the Request for Views but not to the Invitation to Comment.
5. Respondents to the Request for Views provided comments on the interaction between standard-setting and the IFRS Taxonomy that are relevant to the IFRS Taxonomy due process. Appendix C provides a summary of those comments.

<sup>1</sup> All comment letters are available on: <http://www.ifrs.org/DPOC/Pages/Comment-letter.aspx>

<sup>2</sup> The Invitation to Comment stated that responses to the Request for Views relating to the proposed revised IFRS Taxonomy due process would be considered together with the responses to the Invitation to Comment.

## Questions

6. The Invitation to Comment included four questions dealing with the following areas:
  - (a) Question 1—the role of the International Accounting Standards Board (‘the Board’) in the approval and review of the IFRS Taxonomy content (paragraphs 7-11);
  - (b) Question 2—the timing and length of consultation on *Proposed IFRS Taxonomy Update* documents (paragraphs 12-22);
  - (c) Question 3—the publication of the *Proposed IFRS Taxonomy Files* (paragraphs 23-26); and
  - (d) Question 4—other comments (paragraphs 27-38).

### Question 1—Role of the Board

*Question 1:*

The role of the Board and the IFRS Taxonomy Review Panel within the review and approval of the content of the IFRS Taxonomy is described. Do you agree with the way in which the Board and the IFRS Taxonomy Review Panel will be engaged and the degree of its involvement? Why or why not? If not, please state the reasons why you do not agree and any alternatives you would like us to consider.

7. The *Invitation to Comment* proposed that:
  - (a) the Board should approve IFRS Taxonomy updates that reflect new or amended IFRS Standards (including Interpretations, the IFRS for SMEs® and the accompanying materials to the IFRS Standards); and
  - (b) other IFRS Taxonomy content updates (including common practice content) would be subject to review, but not approval, by a designated group of at least three but not more than five members of the Board (‘The IFRS Taxonomy Review Panel’).
8. Most respondents commented on this question. Of those that commented, many respondents agreed that the Board should have a role within the review and approval of the IFRS Taxonomy content. Many expressed the view that Board involvement:
  - (a) enhances the credibility and quality of the IFRS Taxonomy; and
  - (b) helps provide assurance that the IFRS Taxonomy reflects, rather than interprets, the IFRS Standards.

9. However, some respondents, while agreeing that the Board should have a role, disagreed with the approach to Board engagement proposed in the Invitation to Comment. A few suggested that the Board should not approve IFRS Taxonomy content. Instead, they proposed that the IFRS Taxonomy Review Panel should also review, but not approve, taxonomy content changes that reflect new or amended IFRS Standards. In addition, one accounting firm suggested that this panel should approve, rather than review, common practice content.
10. Some respondents disagreed that the Board should be involved in the approval or review of the IFRS Taxonomy. Those expressing this view cited concerns about the possible impact on the resources available to the Board and the potential risk of the IFRS Taxonomy constraining the principles-based approach to Standard-setting. A few expressed the view that senior staff involvement in the review and approval of the IFRS Taxonomy would be sufficient, but that if and when the IFRS Taxonomy is used more widely by regulators, the DPOC would probably need to reassess the involvement of the Board.
11. A Standard-setting body and an accounting firm thought that not all members of the Board may have the required expertise to approve or review the IFRS Taxonomy content. Considering this and the potential impact on Board resources, they suggested that the Trustees should consider establishing a specialised taxonomy committee of financial reporting specialists that would work in a similar way to the IFRS Interpretations Committee. These respondents had mixed views as to the role of the Board:
  - (a) The Standard-setting body recommended that the Board should approve the strategic direction only. This includes, for instance, principles of how to present financial statements in a structured format and considerations about the content boundaries of the IFRS Taxonomy. The specialised committee in conjunction with the staff and operating within the strategic directions set by Board would prepare *the IFRS Taxonomy Update* documents.
  - (b) The accounting firm suggested that the Board should approve the final *IFRS Taxonomy Update* document on the basis of recommendations from the specialised taxonomy committee.

## **Question 2—Timing and length of consultation**

*Question 2:*

The DPOC is proposing to maintain the existing process of public consultation on taxonomy content changes after the release of a final Standard. A *Proposed Taxonomy Update* document will normally be released at the same time (or closely after) a final Standard is published and will normally have a comment period of 60 days.

12. Most respondents commented on one or more aspects of this question. We have structured the responses as follows:
- (a) timing of consultation (paragraphs 13-16);
  - (b) length of consultation (paragraphs 17-18);
  - (c) concurrent release (paragraphs 19-21); and
  - (d) outreach activities (paragraph 22).

#### *Timing of consultation*

13. Many respondents commented on the proposal that public consultation on taxonomy content changes should take place only after the release of a final IFRS Standard. Of those who commented, most agreed with the proposal.
14. In commenting on this question, some respondents made reference to the due process trial conducted in 2015 when a proposed IFRS Taxonomy Update was released at the same time as the Exposure Draft *Disclosure Initiative* (Proposed Amendments to IAS7). They stated that consulting on taxonomy content at the Exposure Draft stage could result in additional costs and could be inefficient, particularly if presentation and disclosure requirements change between the Exposure Draft and the final Standard.
15. One regulatory body, while agreeing with the proposed approach to consultation recommended that the DPOC should reassess this after a period of time, noting that the results of the trial seem to indicate that issuing the Exposure Draft and the proposed IFRS Taxonomy Update concurrently may encourage broader feedback.
16. One accounting firm did not fully agree with the proposal, expressing the view that the trial demonstrated that early exposure of the proposed taxonomy changes can highlight problems with the drafting of IFRS Standards. This respondent recommended that the revised IFRS Taxonomy due process should state that consultation on the *Proposed IFRS Taxonomy Update* document after the release of the final IFRS Standard is a mandatory step, but the due process should give the Board the flexibility to also consult earlier if this was considered to be appropriate.

#### *Length of consultation*

17. Only some respondents commented on the proposal that the *Proposed IFRS Taxonomy Update* document will normally have a comment period of 60 days. Most of those that commented disagreed with the proposal. They expressed the view that a longer comment period is likely to be required for complex amendments or in circumstances in which there is a significant delay between the publication of the final IFRS Standard and the related *Proposed IFRS Taxonomy Update* document.

18. The Invitation to Comment proposed that the staff might consider a comment period of no less than 30 days if the matter is narrow in scope or urgent. Before proceeding with a comment period of less than 60 days, the staff would need to obtain approval from the Board (for content changes reflecting new or amended IFRS Standards) or would need to consult with the IFRS Taxonomy Review Panel (for other content changes) or the IFRS Taxonomy Consultative Group (for technology changes).<sup>3</sup> One accounting firm noted that this is not consistent with the *Due Process Handbook* which requires that the DPOC needs to approve a shortened comment period for an Exposure Draft relating to the IFRS Standards.

#### *Concurrent release*

19. The Invitation to Comment proposed that the drafting, Board approval and publication of the *Proposed IFRS Taxonomy Update* document would normally take place concurrently with the drafting, Board approval and publication of the related final IFRS Standard or Interpretation.
20. Many respondents commented on this. Of those that commented, most respondents agreed with the proposal, with some stating that they support the DPOC's view that this is the most efficient way to involve the Board and external stakeholders.
21. Some respondents disagreed with the proposal. In their view, only a separate process can provide the assurance that the IFRS Taxonomy does not constrain a principles-based approach to Standard-setting.

#### *Outreach activities*

22. One accounting firm stated that public consultation may not suffice. In the view of this respondent, the IFRS Taxonomy process should specify that the Board and the staff need to assess whether additional targeted outreach is required to obtain sufficient feedback on the *Proposed IFRS Taxonomy Update* document.

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<sup>3</sup> The IFRS Taxonomy Consultative group is a consultative group to the Board. Its members provide guidance on matters relating to both the content and the technology of the IFRS Taxonomy. They normally also review the *Proposed IFRS Taxonomy Files* and the *Proposed IFRS Taxonomy Update* documents prior to publication.

### Question 3—Publication of the *Proposed IFRS Taxonomy Files*

*Question 3:*

The DPOC is proposing that the publication of the *IFRS Taxonomy Files* should be an optional step for proposed content updates. This is a mandatory step under the current process. Publication of the *IFRS Taxonomy Files* will remain a mandated step for proposed technology updates and for the publication of the final IFRS Taxonomy update.

Do you agree with these changes? Why or why not?

23. The *IFRS Taxonomy Files* refer to the files used to express and deliver the IFRS Taxonomy content using a syntax such as eXtensible Business Reporting Language ('XBRL') standard or any other taxonomy delivery mechanism that the IFRS Foundation considers appropriate.
24. Around half of the respondents commented on this question. Of those that responded many agreed with the proposal without much elaboration.
25. Some respondents disagreed with the proposal. They stated that:
  - (a) the publication of the files can help IFRS Taxonomy users who apply the amendments using XBRL to understand the proposed changes; and
  - (b) it remains important that the *IFRS Taxonomy Files* should be subject to public consultation to ensure that they are robust.
26. One regulatory body suggested that the DPOC should clarify under what circumstances the *Proposed IFRS Taxonomy Files* will be published.

### Question 4—Other comments received

*Question 4:*

Are there any other matters relating to our proposals for the IFRS Taxonomy due process that you wish to comment on, including matters that are not covered but that you think should be?

27. Some respondents made additional comments. One accounting firm made extensive drafting comments. We have structured these additional comments as follows:
  - (a) lack of clear purpose (paragraphs 28-29);
  - (b) status of the *IFRS Taxonomy Update* document (paragraphs 30-33);
  - (c) timing of the ITCG reviews (paragraphs 34-35); and

(d) consideration of the IFRS Taxonomy during Standard-setting (paragraphs 36-38).

*Lack of clear purpose*

28. One accounting firm noted that neither the Trustees nor the Board have formally set out what they see as the role and qualitative characteristics of the IFRS Taxonomy. This respondent expressed the view that, without such an assessment, the objective of the IFRS Taxonomy due process is unclear. Nevertheless, this respondent suggested that the DPOC should proceed with the publication of the final IFRS Taxonomy due process, subject to consideration of their other comments. In the view of this respondent, the IFRS Taxonomy and the related due process will continue to evolve as electronic reporting itself evolves. Publication now of the final IFRS Taxonomy due process will, in their view, bring clarity to the existing processes followed.
29. This respondent also thought that the purpose and the process to identify common practice content have not been clearly explained in the Invitation to Comment. Consequently, respondents may take different views when asked to comment on proposed common practice content additions.

*Status of the IFRS Taxonomy Update document*

30. The Invitation to Comment proposed that the *IFRS Taxonomy Update* document should be given the status of accompanying material to the related IFRS Standard (or Interpretation). This reflects the view that the *Proposed IFRS Taxonomy Update* document can aid understanding of the presentation and disclosure requirements of the IFRS Standards and in addition it illustrates how these requirements can be tagged to support structured electronic reporting.
31. Although the DPOC did not ask a specific question on this, a few respondents commented on this proposal and, of these, only one standard-setting body supported the staff's view and was in favour of this proposal.
32. However, most respondents that commented on this did not support the proposal. They expressed a concern that giving the *Proposed IFRS Taxonomy Update* document the status of accompanying material increases the risk of the IFRS Taxonomy (including common practice) being used as additional guidance on the application of the IFRS Standards. They also did not support the view that this document can aid the understanding of the presentation and disclosure requirements of the IFRS Standards.
33. One accounting firm suggested giving the annual IFRS Taxonomy the status of an IASB Practice Statement, that is:
  - ... non-mandatory guidance which the IASB considers would improve financial reporting and preserves the discretion left to individual jurisdictions of adopting these documents, as well as of referring to

them or not (paragraph 6.39 of the *Due Process Handbook*).

### *Timing of the ITCG reviews*

34. The Invitation to Comment proposed that the ITCG reviews of the *IFRS Taxonomy Update* document should be aligned with the external editorial review of the related final Standard. Currently, this review normally happens after the final Standard has been published.
35. A few respondents commented on this proposal. Their views were mixed. Some respondents agreed with the proposal. Those that disagreed also opposed the proposal to align the drafting, Board approval and release of the taxonomy and the related Standard or Interpretation (see paragraph 21 above). In the view of these respondents, aligned external reviews increase the risk of the taxonomy constraining a principles-based approach of Standard-setting.

### *Consideration of the IFRS Taxonomy during Standard-setting*

36. The Invitation to Comment stated that ‘the IFRS Taxonomy is considered during the development and drafting of new or amended Standards’. Some respondents commented on this, with the views being split.
37. Some respondents agreed with this proposal, saying that they support the DPOC’s view that early consideration of the taxonomy may improve the clarity of the wording of the IFRS Standards. However, they warned that any such taxonomy considerations should not constrain a principles-based approach of Standard-setting. In this context, they referred to the Trustees’ views as articulated in the Request for Views (see Appendix C).
38. However, other respondents disagreed with the proposal because they believe that such an approach increases the risk of a taxonomy influencing and even undermining principles-based Standard-setting.

### **Outreach with the IFRS Taxonomy Consultative Group**

39. The staff consulted members of the ITCG at various meetings:
  - (a) members of the ITCG expressed their support for the proposal that the Board should have a role in the review and approval of the IFRS Taxonomy content<sup>4</sup>;
  - (b) ITCG members had mixed views about the timing of consultation on the *Proposed IFRS Taxonomy Update* document<sup>5</sup>:
    - i. a few thought that consultation is best done for the final IFRS Standard only, citing a concern about resources;

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<sup>4</sup> ITCG October 2014 meeting [http://www.ifrs.org/About-us/IASB/Advisory-bodies/Working-groups/ITCG/Documents/ITCG%20meeting\\_OCT%202014.pdf](http://www.ifrs.org/About-us/IASB/Advisory-bodies/Working-groups/ITCG/Documents/ITCG%20meeting_OCT%202014.pdf)

<sup>5</sup> ITCG April 2015 meeting <http://www.ifrs.org/Meetings/MeetingDocs/XBRL/2015/April/Summary-Of-ITCG-meeting-April-2015.pdf>, and June 2015 meeting <http://www.ifrs.org/Meetings/MeetingDocs/XBRL/2015/June/Meeting%20Summary%20-%20June.pdf>.



- ii. a few thought that external taxonomy review prior to the finalisation of the IFRS Standard helps to ensure that the wording of the IFRS Standard is clear; and
  - iii. one member representing users stated that the IFRS Taxonomy can aid understanding of the presentation and disclosure requirements of the IFRS Standards. Consequently, in the view of this member, discussing the IFRS Taxonomy and the proposed disclosures together is helpful to investors;
- (c) members of the ITCG expressed their support for the proposal to align the ITCG review with the related external editorial review of the final IFRS Standard<sup>6</sup>.

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<sup>6</sup> ITCG October 2015 meeting  
<http://www.ifrs.org/Meetings/MeetingDocs/XBRL/2015/October/Summary%20of%20ITCG%20meeting%20October%202015.pdf>

**Appendix A**

**RESPONDENTS TO INVITATION TO COMMENT IFRS TAXONOMY DUE PROCESS**

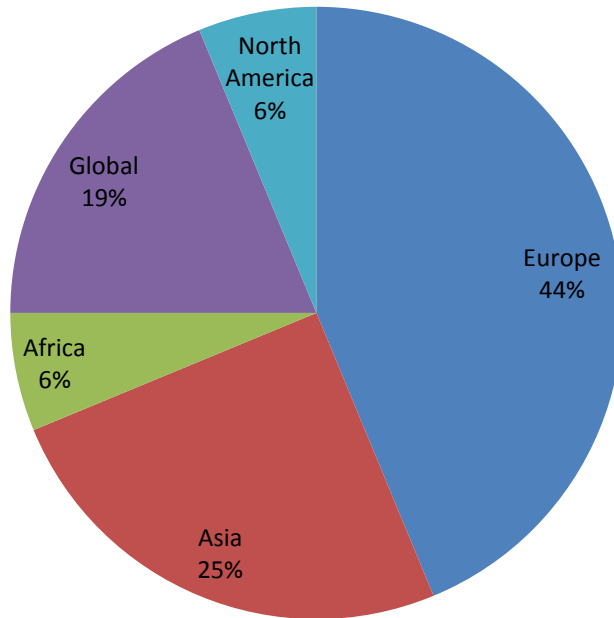
*Names of responding organisations*

<b>Comment Letter (CL) Number</b>	<b>Name of respondent</b>	<b>Country/Region</b>
1	XBRL Canada	Canada
2	Svenskt Näringsliv [Confederation of Swedish Enterprise]	Sweden
3	Association of Chartered Certified Accountants (ACCA)	Global
4	BusinessEurope	Europe
5	Securities and Exchange Board of India (SEBI)	India
6	Deutsches Rechnungslegungs Standards Committee e.V. (DRSC) [Accounting Standards Committee of Germany (ASCG)]	Germany
7	Mazars	Global
8	The Japanese Institute of Certified Public Accountants (JICPA)	Japan
9	South African Institute of Chartered Accountants (SAICA)	South Africa
10	European Securities and Markets Authority (ESMA)	Europe
11	Korea Accounting Standards Board (KASB)	Korea, Republic of
12	Duplicate	
13	Deloitte Touche Tohmatsu Limited (DTTL) [UK]	Global
14	Singapore Accounting Standards Council (ASC)	Singapore
15	European Financial Reporting Advisory Group (EFRAG)	Europe
16	Organismo Italiano di Contabilità (OIC) [Italian Accounting Organisation]	Italy
17	Gesamtverband der Deutschen Versicherungswirtschaft e. V. (GDV) [German Insurance Association]	Germany

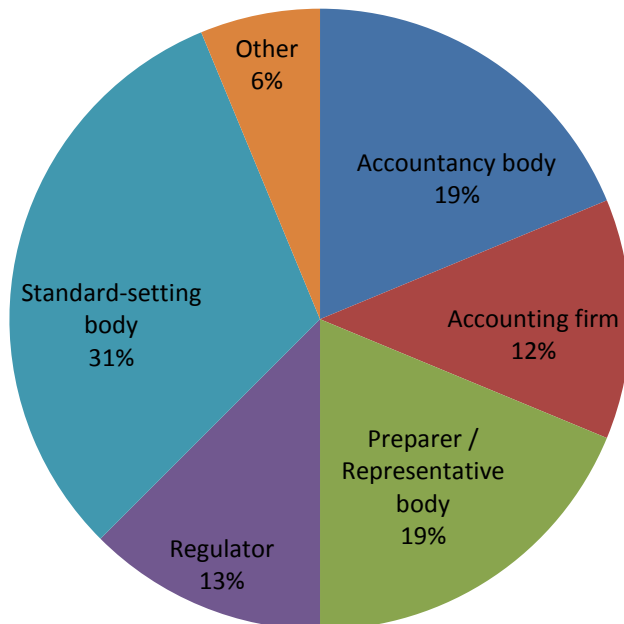
CL12 is a duplicate of CL8; this was posted in error twice by the staff.

Appendix A

### Respondent summary by geography



### Respondent summary by respondent



**Appendix B****RESPONDENTS TO RFV COMMENTING ON THE PROPOSED IFRS TAXONOMY DUE PROCESS**

<b>Comment Letter (CL) Number</b>	<b>Name of Respondent</b>	<b>Country/Region</b>
13	Insurance Europe	Europe
43	Pan African Federation of Accountants (PAFA)	Africa
44	The Institute of Chartered Accountants in England and Wales (ICAEW)	United Kingdom
48	The Danish Accounting Standards Committee (DASC)	Denmark
52	Accounting Standards Board of Canada (AcSB)	Canada
92	Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF) (Mexican Council for the implementation and the oversight of financial information)	Mexico

## Appendix C

### RFV COMMENT LETTER ANALYSIS—INTERACTION BETWEEN STANDARD-SETTING AND THE IFRS TAXONOMY

C1. Paragraph 32 of the Request for Views stated the Trustees' views that 'IFRS Taxonomy considerations' should not dictate Standard-setting. The feedback summary that was presented to the Trustees at its January 2016 meeting incorporated a brief synopsis of comments received on this viewpoint, namely:

*A large majority of those who responded agreed, many with caveats, in particular to reinforce the view expressed by the Trustees in the RFV that Taxonomy considerations should not dictate the standard-setting process. Concerns were expressed that integrating the development of the Taxonomy with the standard-setting process could detract from the aim of developing principle-based Standards, as well as the level of resources that might be devoted to this area. ...'*<sup>7</sup>

C2. Most of the respondents that opposed the integration of the IFRS Taxonomy activities with the Standard-setting process were standard-setting bodies. Some of these respondents acknowledged that if there is close co-operation between the taxonomy staff and the technical staff, this can improve the clarity and consistency of the wording of the Standards. However, they also commented that the rigid and prescriptive nature of a taxonomy could lead to more prescriptive and less principles-based Standards. In addition, they thought that the taxonomy could lead to undue prominence being given to quantitative disclosures.

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<sup>7</sup> Paragraph 22 of the comment letter summary that was presented to the Advisory Council in February 2015 (Agenda Paper 4A for that meeting), which is on our website at: <http://www.ifrs.org/Meetings/MeetingDocs/Advisory%20Council/2016/2016-02-AP4A-Review-Comment-letter-summary.pdf>.