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Re: EFRAG Discussion Paper *Considering the Effects of Accounting Standards*

Dear Sir,

OIC is pleased to have the opportunity to comment on the discussion paper *Considering the Effects of Accounting Standards*.

OIC welcomes the initiative of EFRAG to launch proactive projects in Europe, aimed at stimulating debate on important items on the IASB agenda at an early stage in the standard-setting process before the IASB formally issues its proposals.

We very much appreciate the effort to publish a discussion paper regarding such a crucial topic. The difficulties experienced by the financial markets in recent times prompt initiatives that can help to strengthen the credibility of those bodies responsible for setting the rules that govern operators' activities. Furthermore, the difficulties arising from the process of convergence between IFRS and US GAAP suggest to give the highest importance to any initiative that could result in an improvement of IASB due process.

In this respect, an appropriate analysis of the effects related to the application of a new accounting standard seems to be very helpful in consolidating the transparency of the due process followed by the standard setters. Indeed, only an appropriate assessment of the effects and the practical implication of the proposals enables proper support for the decisions concerning a proposed accounting standard or amendment.

Generally, we are fully supportive of the content of the discussion paper.

We agree on how "effects analysis" has been defined and on what the key principles underpinning such analysis are.

Furthermore, we find it very important – in order to meet the main objective of ensuring the transparency of the standard-setting process – that impact assessments are carried out at

several phases of the standard-setting process, early in the process and in the phase of post-implementation review. Many of the problems encountered in the application of new standards in the last decade could be solved by an adequate post-implementation review. We also agree on the appropriateness of taking into account both micro-economic and macro-economic effects in conducting the analysis.

However, we would like to point out the following aspects.

1. We agree that the effects analysis should be performed by the standard setters. In our view, this is the best way to integrate the effects analysis into the standard-setting process. In this regard, the standard setter should define specific rules of governance and procedures in order to ensure the greatest efficiency and transparency of the effects analysis procedures.

This fundamental objective could be achieved by different means.

First of all, we think that the documents issued, setting out the key elements of the effects analysis and, in the case of post-implementation review, the key elements of the review, should receive the formal approval of the board. The formal involvement of the board is the best guarantee of the adequacy of the analysis performed by the standard setter.

We also consider as potentially useful, in the case of post-implementation review, steps to ensure that the body involved in the effects analysis is, as much as possible, “independent” of the staff engaged in the development of the standard. This does not mean that people involved in the two activities should be necessarily different. It could be enough to consider mechanisms that ensure the presence of reviewers that did not participate in the development of the original standard.

2. We strongly support the principle that the effects analysis should be referenced against the “objective of serving the public interest by contributing to delivering improved financial reporting”.

At this stage of the discussion, in our opinion, it should be made clear that, in every case, the standard-setting process is absolutely addressed to satisfying the informative needs of market participants. Nevertheless, the document could benefit by trying to describe in a clearer way the concept of “public interest”.

If you have any queries concerning our comments, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò
(OIC Chairman)