

The Chairman of the IASB  
IFRS Foundation,  
30 Cannon Street,  
London EC4M 6XH,  
United Kingdom.

20 March, 2017

Dear Mr. Hoogervorst,

**Re: Transitional provisions of the new Conceptual Framework for Financial Reporting (the Conceptual Framework)**

We are writing in reaction to the tentative decisions taken at the Board's January meeting in respect of the transitional provisions for the Conceptual Framework.

The Board decided to update IAS 8 by replacing the references to the current Framework with references to the Conceptual Framework, in particular in paragraph 11 in relation to the selection of accounting policies. A transitional period of approximately 18 months has been provided for changes to accounting policies induced by this amendment (although the current timetable implies only 14 months will be available in practice), and such modified policies must be applied retrospectively unless retrospective application would involve undue cost and effort.

We disagree with the proposed updating of the references to the Conceptual Framework particularly if this requires retrospective application, for the following reasons:

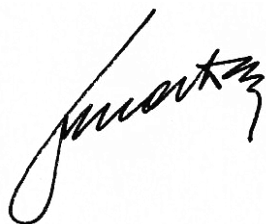
- When the revision of the Conceptual Framework was launched the IASB announced that it would not immediately conform individual standards with the new Conceptual Framework. We think it is therefore inconsistent to amend some standards at this point even if this entails only amending references, since such updates can have effects which are equally as important as the amendment of a standard. This is illustrated by the potential impact of the change of reference on IFRS 3, for which the Board has decided not to make any changes without further detailed analysis. We think that that this prudent approach should be adopted for all standards.
- We do not see why accounting policies developed in-house by entities should be amended to conform with the new Conceptual Framework, whereas many individual standards will in all probability remain inconsistent with the new Conceptual Framework for a considerable time.

- During its discussions on the updating of the references in IAS 8, the Board has left open the possibility of providing relief for accounting policies developed by entities in rate-regulated activities under the current Framework. Although these transactions are perhaps the most evident examples of the application of paragraph 11(b) of IAS 8, we do think that it is premature to conclude that there are no other major types of transaction that might be affected. We are aware that the staff endeavoured to investigate this area but did not receive a large volume of feedback from entities, perhaps because of the timing of the exercise.
- If the Board decides to go ahead with the amending of the reference in paragraph 11, we think that application should be only prospective, that is, that it should apply only to new accounting policies developed for new types of transaction. Entities should be permitted to retain current accounting policies developed in accordance with the current Framework for existing transactions. As will be the case for the IASB, entities would use the new Conceptual Framework for developing new accounting policies for transactions not dealt with by individual standards.
- Our members think that it would be very onerous to re-examine the set of accounting policies that might have been, in whole or in part, developed by reference to the existing Framework, to revise the policies in the context of the new concepts and definitions, and to calculate the retrospective effects of the potential changes.
- At the same time entities could be encouraged to identify the potential changes to their in-house accounting policies that might be induced by the new Conceptual Framework and to analyse the relevance of the resulting policies. This initiative could be promoted by National Standard Setters, for example, and the issues raised might then be referred to the IFRS Interpretations Committee for further action.

If you require any further information about the points raised, please do not hesitate to ask.

Yours sincerely,

Patrice MARTEAU  
Chairman

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