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**Rådet för  
finansiell rapportering**

The Swedish Financial Reporting Board

RFR-rs 2009:07

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Dear Sirs,

**Re: IASCF Constitution Review part II**

We appreciate the opportunity to respond to the IASCF's paper as of December 2008. This letter represents the views of the Swedish Financial Reporting Board.

**General comments**

We identify the agenda setting process of the IASB and the effectiveness of its due process in its performing of agenda decisions made as the two most urgent issues for the Constitution Review.

We expect the IASCF to take an active role in the process of arriving at agenda decisions by the IASB. We think this part of the IASB responsibility should have greater transparency and be better geared towards user needs and high qualitative solutions. We see and have seen a number of cases where US GAAP convergence has emerged as a goal for its own sake, not strictly subordinated to the pronounced ultimate objective of high-quality standards.

We also express our support for a more thorough due-process with active participation of stakeholders. We expect the IASB to better present its reflection of input received during the different phases of the standard process. We expect better cost benefit-analysis to be elaborated and utilized both in the agenda setting process and in early phases of a due process for development of a standard.

We reject the idea of instituting a separate "fast due process" for cases which by various reasons may be deemed urgent. Such process naturally represents "a cutting of the corners" which in itself normally signifies a previous lack of quality in preceding processes. Instead emergency cases so far recorded should be further analyzed for the purpose of adding quality to the IASB ordinary due process including the process of agenda decisions.

We suggest a more active and transparent role for the SAC as indicated in our answer to question 12.



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## Detailed comments

Below we present our comments to the specific questions of the IASCF paper.

1. The Constitution defines the organisation's primary objective in the following manner: to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions. In fulfilling that objective, the organisation is to take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies.

Does the emphasis on helping 'participants in the world's capital markets and other users make economic decisions', with consideration of 'the special needs of small and medium-sized entities and emerging economies', remain appropriate?

We think that 'the consideration of the special needs of small and medium-sized entities and emerging economies' is already an established fact that the IASCF cannot withdraw from. The IASCF must take due regard of this task.

2. In the opinion of the Trustees, the commitment to drafting standards based upon clear principles remains vitally important and should be enshrined in the Constitution.

Should the Constitution make specific reference to the emphasis on a principle-based approach?

Yes, we believe this principle should be clearly stated in the constitution.

3. The Constitution and the IASB's Framework place priority on developing financial reporting standards for listed companies. During the previous review of the Constitution some commentators recommended that the IASB should develop financial reporting standards for not-for-profit entities and the public sector. The Trustees and the IASB have limited their focus primarily to financial reporting by private sector companies, partly because of the need to set clear priorities in the early years of the organisation.

The Trustees would appreciate views on this point and indeed whether the IASB should extend its remit beyond the current focus of the organisation.

We believe that the financial reporting in not-for-profit entities and the public sector entities in varying cases could benefit from the IFRS and in some cases already has found it useful to do so. However, it should not be the responsibility of the IASCF/IASB to cover the particular aspects of these entities in its development of standards.

4. There are other organisations that establish standards that are either based upon or have a close relationship with IFRSs. The IASC Foundation already recognises the need to have close collaboration with accounting standard-setting bodies.

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Should the Constitution be amended to allow for the possibility of closer collaboration with a wider range of organisations, whose objectives are compatible with the IASC Foundation's objectives? If so, should there be any defined limitations?

Our experience of the IASB activities is not that the Constitution implies restrictions that has limited the possibility of collaboration with other organisations. Rather to the contrary we feel that the IASCF/IASB has not adequately observed the overreaching goal of high quality standards in carrying out collaboration with other bodies, in our view primarily the very close relationship with the FASB on convergence. We believe that the convergence project in many cases has failed to meet the expectations of high quality standards. The consequences of this has been evidenced during the period since October last year in the turmoil of the IASB financial instruments papers in a too rush attempt to amend problems earlier disregarded, basically those of a too broad application of fair value principles.

5. The first part of the review of the Constitution proposed the establishment a formal link to a Monitoring Group. Under this arrangement, the governance of the organisation would still primarily rest with the Trustees.

Although the first part of the review has not yet been completed, the Trustees would welcome views on whether the language of Section 3 should be modified to reflect more accurately the creation of the Monitoring Group and its proposed role.

In view of the recent amendments in this regard to the Constitution effected by 1 February we see no further need to comment on this.

6. The Trustees are appointed according to a largely fixed geographical distribution.

Is such a fixed distribution appropriate, or does the current distribution need review?

We believe a largely fixed geographical distribution to be a sound underlying principle in this case. However, the established distribution needs to be revised to encounter an up-to-date pattern of relevant countries/regions allowing or adhering to IFRS.

7. Sections 13 and 15 set out the responsibilities of the Trustees. The intention of these provisions is to protect the independence of the standard-setting process while ensuring sufficient due process and consultation—the fundamental operating principle of the organisation. In addition to these constitutional provisions, the Trustees have taken steps to enhance their oversight function over the IASB and other IASC Foundation activities.

The Trustees would welcome comments on Sections 13 and 15, and more generally on the effectiveness of their oversight activities.

Independence of the standard setting process should not imply that the Trustees, in case needed, should be without other corrective means versus the IASB than election of its members and funding of its operations. We generally expect the Trustees, just in

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the interest of protecting the independence of the standard-setting process, to assume responsibility not only on monitoring the IASB process but also on potentially involving themselves with the IASB agenda and in possible shortcomings of the IASB in observing its own due process. We would e. g. expect the Trustees to take initiatives to ensure that documents are reexposed when significant changes would make such an action logical. We believe such a responsibility to the discretion of the Trustees would reinforce the independence of the standard-setting process, not impairing it.

Moreover we would like the IASCF to invest a full role of intermediary to the stakeholders, allowing stakeholders to address the Trustees on possible complaints/suggestions on the IASB performance in terms of process or agenda issues. The IASCF should be the addressee for whistleblowers regarding the IASB.

8. The Trustees are responsible for ensuring the financing of the IASC Foundation and the IASB. Since the completion of the previous review of the Constitution, the Trustees have made progress towards the establishment of a broad-based funding system that helps to ensure the independence and sustainability of the standard-setting process. However, the Trustees have no authority to impose a funding system on users of IFRSs.

The Trustees would welcome comments on the progress and the future of the organisation's financing.

We do not comment on this issue since funding matters are outside the scope of our activities. Any comments to this issue will be provided by our parent organisation, The Swedish Association of Selfregulatory Agencies (SASA).

9. Commentators have raised issues related to the IASB's agenda-setting process. The Constitution gives the IASB 'full discretion in developing and pursuing its technical agenda'. The Trustees have regularly reaffirmed that position as an essential element of preserving the independence of the standard-setting process.

However, they would welcome views on the IASB's agenda-setting process and would appreciate it if, in setting out views, respondents would discuss any potential impact on the IASB's independence.

We observe that the IASB, confronted to other corresponding bodies or agencies, generally keeps a very high level of transparency on the web of its process. In this process the agenda-setting activities, however, represent the steps that are the most difficult to follow. The number of potential agenda items, the priorities to be observed and the rationale for the IASB final agenda decisions are elements not always evident to the observer.

We also think that the agenda setting process in many cases has been preempted by the overdue attention to convergence, presenting restrictions to possible agenda alternatives. See also our comments to question 4. We think that agenda issues should be integrated in a recurring cycle, modelled by the now effected annual improvement process. Stakeholders should on a recurring (annual) due process basis be presented

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IASB agenda items to comment on them and be given the opportunity to put forward own agenda suggestions either to the Trustees or to the IASB.

10. The Constitution describes the principles and elements of required due process for the IASB. The IASB's procedures are set out in more detail in the IASB Due Process Handbook.

If respondents do not believe the procedures laid out in the Constitution are sufficient, what should be added? If respondents believe that the procedures require too much time, what part of the existing procedures should be shortened or eliminated? The Trustees would also welcome comments on recent enhancements in the IASB's due process (such as post-implementation reviews, feedback statements, and effect analyses) and on the IASB Due Process Handbook.

We advocate that evaluation of cost-benefit aspects be mandatory as early as in the phase of preparing agenda decisions. Cost-benefit evaluation should accompany all the successive steps.

We also think that further attention be given to transparency, e. g. in terms of developing existing procedure of feedback to stakeholders on their comments to IASB papers. Stakeholder needs to be reinforced that their comments are taken in regard and that they will find a rationale for the IASB aptitude to accept or reject their arguments.

11. Should a separate 'fast track' procedure be created for changes in IFRSs in cases of great urgency? What elements should be part of a 'fast track' procedure?

We do not think that a fast track procedure should be established. We feel from the negative experience of the fast-tracking recently applied (see also question 4) that a proper way forward is not one where a defined fast track process is being instituted.

To promote the interests of the main spectre of stakeholders we advocate instead for an even more thorough due process, examples of which we have implied above. We realize that fast-track issues never can be fully excluded, but suggest they should be critical urgency matters, resolved by a process whose specifics will have to be defined on a case by case basis by judgement of the circumstances at hand. Circumstances permitting the Trustees should be actively involved a decision process of such kind. Due analysis of already recorded 'urgent cases' would help to increase the quality of the ordinary due process.

12. Are the current procedures and composition, in terms of numbers and professional backgrounds, of the Standards Advisory Council (SAC) satisfactory? Is the SAC able to accomplish its objectives as defined in Section 38?

We do not see from the IASB papers in what way the IASB benefits from the SAC. We would suggest less restrictions for the SAC to act more actively to further the

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discussion among different stakeholders, e. g. to be allowed to make pronouncements on suggestions put forward to the IASB and for the IASB to publish their comments on those.

13. Attached to this discussion document are the terms of reference for the SAC, which describe the procedures in greater detail.

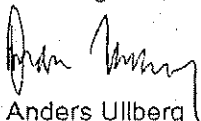
Are there elements of the terms of reference that should be changed?

We expect the IASCF to integrate more efficiently recommendations by SAC in the agenda setting process.

If you have any questions concerning our comments please address our Executive member Carl-Eric Bohlin by e-mail to: [carl-erlc.bohlin@radetforfinansiellrapportering.se](mailto:carl-erlc.bohlin@radetforfinansiellrapportering.se)

Stockholm, April 2, 2009

Kind regards,



Anders Ullberg  
Chairman