

December 17, 2012

Submitted electronically via yalmog@ifrs.org

IFRS Foundation Trustees
30 Cannon Street,
London EC4M 6XH
United Kingdom

Dear Sirs,

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the Invitation to Comment on the “Proposal to Establish an Accounting Standards Advisory Forum,” issued in November 2012.

The AcSB is Canada’s national accounting standard setting body, which has adopted a strategy of importing IFRSs into Canada for publicly accountable enterprises. The AcSB consists of members from a variety of backgrounds, including preparers, advisors, academics and financial statement users. Additional information about the AcSB can be found at www.frascanada.ca.

The views expressed in this letter take into account comments from individual members of the AcSB and its staff. However, they do not necessarily represent a common view of the members of the AcSB, its committees or staff. Formal positions of the AcSB are developed only through due process.

We commend the Foundation for reconsidering the role of national and regional accounting standards setting bodies in supporting the IASB, following up on one element of the Report of the Trustees’ Strategy Review 2011, “IFRSs as the Global Standards: Setting a Strategy for the Foundation’s Second Decade”. Overall, we agree with the analysis in the Invitation to Comment and express our strong support for the proposals. Our responses to the questions posed in the Invitation to Comment and our detailed comments on the proposals are set out in the accompanying attachment.

The AcSB is interested in supporting the work of the new Forum and would like to be considered as a candidate for membership. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact the undersigned, or Peter Martin, Director, Accounting Standards at +1 (416) 204-3276 (email peter.martin@cica.ca) or Rebecca Villmann, Principal, Accounting Standards at +1 (416) 204-3464 (email rebecca.villmann@cica.ca).

Yours truly,

A handwritten signature in black ink, appearing to read "G.C. Fowler". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Gordon Fowler, FCPA, FCA
Chair, Canadian Accounting Standards Board

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Proposal to Establish an Accounting Standards Advisory Forum
Comments of the Canadian Accounting Standards Board

Response to Question 1

Do you agree with the proposed commitments to be made by ASAF members (paragraph 6.4) and that they should be formalized in a Memorandum of Understanding (paragraph 6.5)? Why or why not?

We agree with the proposed commitments and with formalizing them in a Memorandum of Understanding (MoU), subject to our comments below.

We fully endorse what we understand the spirit of the commitments set out in paragraph 6.4 to be. However, we have the following comments on their wording:

- In items 1 and 2 of the list of commitments in paragraph 6.4, it is confusing to restate the Foundation's mission differently than in the Report of the Trustees' Strategy Review 2011, "IFRSs as the Global Standards: Setting a Strategy for the Foundation's Second Decade". Adding the words "understandable" and "enforceable" is unnecessary because those attributes contribute to high quality, as do some other attributes not mentioned in paragraph 6.4. Some readers may draw unintended or undesirable inferences from the addition of those two terms.
- Should item 3 not put the emphasis on consistent application of IFRSs globally? The AcSB supports that concept and would not want to see consistency within regions but inconsistency between regions globally. The AcSB and other standards bodies have the ability to promote globally consistent application within their jurisdiction, and should commit to that objective.
- Item 4 can be read as either a commitment to work towards full endorsement or adoption of IFRSs at a point in time or a commitment to ongoing endorsement or adoption over time. The AcSB thinks the latter is intended and should be made clearer. Full endorsement or adoption needs to be viewed as a long-term objective towards which a jurisdiction is constantly working but may not always be achieving fully (as discussed further in the following comment).
- As worded in the proposal, item 4 may pose some difficulties for those standards bodies charged with carrying out an endorsement process in the public interest for their jurisdiction. Those processes generally provide for the possibility that a new or revised standard will not be endorsed. Although this is not a desirable outcome, the IASB will need to accept that some candidates for Forum membership cannot commit to endorsing

elements of IFRSs when it is determined not to be in the public interest to do so. The emphasis needs to be placed on Forum members committing to use their best efforts to promote the application of the body of IFRSs as an accounting framework in their jurisdiction, rather than on always endorsing all changes to that framework regardless of the circumstances. The latter would be contrary to the AcSB's legal obligations and terms of reference.

- The idea behind the proposed MoU is attractive but the proposal raises questions about what a MoU actually is. This issue arose when the 2006 Statement of Best Practice was being developed. It was originally drafted as a MoU but some jurisdictions felt that it would be difficult for them to sign such a document. The AcSB, possibly in common with some other standards bodies, has no separate legal existence and no legal capacity to enter into the types of commitments envisaged by the MoU. In Canada, only securities regulators and other similar government-appointed regulators are empowered to mandate the accounting framework or frameworks to be used within the scope of their legal mandate. The AcSB is only a committee of people who have agreed to work together to produce standards. The current Chair and members of the AcSB are willing to agree that its Chair should sign the MoU, if the AcSB is selected as a member of the Forum, but that step would be symbolic only. As long as that is satisfactory to the Foundation, there would be no issue of concern to the AcSB. However, some other standards bodies may have concerns over the nature and status of the proposed MoU. The AcSB recommends that the Foundation provide some clarification to allay those concerns.

Response to Question 2

The Foundation believes that, in order to be effective, the ASAF needs to be compact in size, but large enough to allow for an appropriate global representation. Do you agree with the proposed size and composition as set out in paragraphs 6.7-6.13? Why or why not?

The AcSB shares the Foundation's beliefs about the size and composition of the proposed Forum. The AcSB and its oversight body have debated the issue of its ideal size and composition in the domestic context over many years. The consensus view in Canada is that a relatively small group is more efficient but can still be sufficiently diverse in its composition to provide an adequate representation across several different key characteristics. The AcSB also relies on being able to obtain and consider the views of its diverse constituencies through ongoing outreach. The same can apply at the global level.

The AcSB notes that most national standards setting bodies function with no more than 12 members and the pre-eminent regional standards body, the EFRAG TEG, has 12 members while operating in a region with many more countries. The FASB, working in the world's largest capital market, has only seven members. The International Forum of Accounting Standard Setters struggles to conduct efficient technical debates amongst its large membership and is now planning to conduct such discussions in small break-out groups whenever possible. The AcSB has previously advocated keeping the IASB to a smaller size, and notes that it has been able to function with fewer members than its full complement.

The AcSB thinks that it is appropriate to allocate a minimum number of seats on the Forum to separate geographic regions and also to provide for some "at large" seats. The proposed allocation should provide for regional representation for all parts of the world while providing some flexibility.

It is necessary for the IASB to have appropriate representation in Forum meetings. Ideally, both the Chairman and Vice-Chairman of the IASB should attend all parts of all meetings. One or two other IASB members should participate in discussions of topics on which they are Board advisors or have particular expertise. Board members should be encouraged to attend other discussions as observers but not participate in the debates in order to avoid having too many participants to permit efficient operation.

Other Comments

1. The point expressed in paragraph 3.5 of the Invitation to Comment is an important one. The new Forum should not supersede or override any existing connections between the IASB and individual national and regional bodies currently. The AcSB thinks that point is sufficiently important that it should be included in the final terms of reference (charter) for the Forum. It should also be stated clearly that the Forum is not intended to cut off any other access the IASB's constituents currently have to the IASB or to become a required conduit for such access.
2. The outline of the proposed model for the operation of the Forum (paragraphs 6.16-6.21) does not specify how the meeting agendas will be determined. The objective of the Forum is to assist the IASB in its work, which suggests that the IASB will identify topics on which it wants input. However, we think Forum members should have an opportunity to propose agenda topics in connection with matters of broad concern. The Forum should operate in a

manner that promotes two-way communication and allows members to advise the IASB concerning issues they consider important.

3. Paragraph 6.17 proposes that Forum meetings will be in London. The AcSB thinks it would be helpful to the IASB and Forum members if meetings could be held elsewhere from time to time. The IASB would benefit from being seen to be listening to the advice of Forum members by direct observation in different parts of the world. It would also address the challenges of Forum members from some parts of the world always having to make a long journey to London, with the related commitment of time and money. The AcSB recognizes that meeting in different places would pose practical challenges for the IASB. However, there does not seem to be a compelling reason to mandate that the Forum would always meet in London when opportunities to meet elsewhere may arise.