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Mr. Michel Prada
Chairman
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Re. Suggestions for improvement of the IFRS Foundation's *Proposal to Establish an Accounting Standards Advisory Forum*

Dear Mr. Prada:

The IIF Senior Accounting Group is not yet in a position to endorse the captioned proposal, among other things because member firms continue to evaluate its adequacy and likely impact; however, the following concerns are widely shared and addressing them would, in the Group's view, substantially improve the Forum, and potentially make firms more comfortable with the proposed approach.

These comments reflect the perception that it is important for all major national standard setters to be consulted in the formulation of IFRS, to assure that global perspectives are taken into account and issues of global consistency are surfaced, understood, and if possible, addressed, even where divergences of standards continue to exist.

Paragraph 6.8

While the reasons for keeping the Forum relatively small are well-understood and appropriate, there should be open recognition that it is absolutely essential for certain bodies to be represented at all times, viz., the EFRAG, the FASB, and the ASBJ. The EFRAG's role is essential given the EU's position as a major adopter of IFRS (as recognized by Paragraph 4.5); assuring adequate voice to the FASB and ASBJ will be essential to maintaining close coordination with the development of the major non-IFRS standards, avoidance of unnecessary divergences over time, and facilitation of possible future adoption of IFRS in the US and Japan, which remain exceptionally important international markets. Recognition of the special role of the latter two bodies is essential given the history of interactions that is set out in detail in Paragraphs 1 and 2, and to provide continuity with the long and productive efforts toward convergence of the past several years. Global comparability

has to include the major capital markets, regardless of their current stage of adoption or acceptance of IFRS.

Paragraphs 6.5 and 6.13

A MOU or similar document would of course be useful to establish a common mode of work and goals for the Forum; however, it should be formalized in a way that allows representatives of IFRS non-adopting jurisdictions to participate in the Forum in a constructive spirit to facilitate the aim of consistent, high quality accounting standards. Thus, it would not be appropriate to require them to sign the MOU in a form flatly requiring “a commitment to a global set of accounting standards”. The participation of the FASB and ASBJ is essential to international coordination and to keeping alive the possibility of future adoption of IFRS in their countries, yet the present text seems to suggest an unreserved commitment to such adoption that may not be feasible at this stage. It is important to recognize that IFRS adoption in their countries is not exclusively within the control of the standard setters (FASB or ASBJ). With respect to the US, the acceptance of IFRS for foreign issuers already constitutes a significant stake in the development of IFRS that should not be ignored. (Conforming changes are needed in *Paragraph 6.4(3).*)

Paragraph 6.17

Given the importance of the remit of the Forum, it is highly questionable whether it could adequately meet its responsibilities, and fulfill its potential if it only meets for 1.5 days per quarter (with one quarter being combined with the annual WSS conference). The Forum should be entitled to meet on such schedule as is necessary to accomplish its purposes, with a minimum of perhaps three days per quarter, and no upside limitation.

Paragraph 6.19

The Forum should be a major interlocutor of the IASB, gathering input and advice from the NSS. That is the reason why the discussions in the Forum should be handled similarly to IASB Board meetings, making it possible for the industry and the public to understand and follow its debates and suggestions. It would be also welcome if IASB participation could be expanded, given the importance of ongoing input from the NSS, including the FASB and the ASBJ.

It appears that publicity of the Forum’s deliberations would be limited to a “summary of each meeting” posted to the Foundation’s website. This seems unduly limited and, given the importance of the tasks of the Forum, fuller disclosure is essential.

As a general remark, it is important to create confidence that the FASB, ASBJ and other NSS representatives in fact have the opportunity to provide adequate input into the process. Transparency and openness are not only important between the IASB and NSS, as *Paragraph 4.7* recognizes, but with all stakeholders. As the foregoing comments suggest, the Forum would be more likely to create confidence that NSS views would be given a full hearing if its structure were somewhat less limited than the present proposal seems to foresee.

Should you have any comments or questions on this letter, please contact the undersigned or Veronique Mathaud (vmathaud@iif.com; +1 202 682 7456). We appreciate your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read "David Schaefer", followed by a long horizontal flourish.