



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

18 December 2012

IFRS Foundation
30 Cannon Street
London
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United Kingdom

Our Reference: 2012/JE/C1/IASB/XX

RE: Invitation to Comment – Proposal to Establish an Accounting Standards Advisory Forum

Dear IFRS Foundation Trustees:

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1) thanks you for the opportunity to provide our comments regarding the Proposal to Establish an Accounting Standards Advisory Forum (ASAF or forum).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Committee 1. They are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

Committee 1 is pleased to share our views with the IFRS Foundation on how the relationship between National Standard-Setters (NSS), other regional bodies and the International Accounting Standards Board (IASB) might be formalized and how the IASB can better engage with them on a collective basis. We have some general comments and questions regarding some of the details in the proposal.

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Objective of the Forum

Committee 1 members support the establishment of a forum which will formally make national standard setters and regional bodies involved in accounting standard-setting (collectively, “NSS”) a part of the IFRS standard setting process. As we stated in our 25 July 2011 letter in response to the Report of the Trustees’ Strategy Review, we believe there should be appropriate weight given to the input and roles of various stakeholders in the standards setting process to assist in the development of high quality standards that can be applied in a consistent manner across jurisdictions. An NSS forum that has institutional standing will give both structure and transparency to the processes by which input from this stakeholder group is received.

In setting its parameters for the forum and in formally giving it status, the Foundation should try to mitigate the risk that the forum will become or be perceived by constituents to be a shadow board.

Overall Structure of the Forum

In order to form an informed opinion on the proposed overall structure of this forum, Committee 1 members would like to better understand how the ASAF structure compares to other IASB advisory groups, i.e., the Capital Markets Advisory Committee, the Emerging Economies Group and the Global Preparers Forum that are part of the outreach activities of the Foundation. Information detailing the objectives, composition and achievements from interacting with the IASB by these other groups could help in forming a picture of the liaison efforts to which the Foundation is committed. For example, it is unclear from Paragraph 6.6 whether the other groups signed MOUs or any form of agreement. Some C1 members would also be interested in the geographical balance in these groups for a sense of the similarities and differences with the proposal for the ASAF.

Commitments by Forum Members

The proposed NSS commitments in Paragraph 6.4 leave the impression that the IASB is seeking the input of NSS, but only if the NSS has something to offer to the IASB in addition to knowledge, experience and expertise in standard setting. This request seems to go beyond the stated role and purpose of the ASAF. This could result in an ASAF with members that are not necessarily in the best position to be contributors to standard setting, but just those who can sign the MOU. This would not appear to be the best way to better engage the NSS and regional bodies on a collective basis and to take advantage of the wealth of experience and expertise.

Committee 1 members did not think the proposal was clear regarding whether members can come from non-IFRS jurisdictions, given the role they might play in the endorsement and adoption of IFRS. We convey specific concerns regarding commitment 4 about ‘making best efforts’ and ‘without modification over time’. Our members question whether a jurisdiction that has the ability or a provision to decide not to endorse a particular standard would be considered not making its best efforts. Another situation could be that IFRS is utilized, but not for all issuers in the jurisdiction’s capital market. A further situation could be one in which the jurisdiction converges or otherwise makes use of IFRS in some manner in establishing its standards. Also it is unclear what the consequences of not making its best efforts at one point would be for an NSS.

Proposals for How the Forum Will Operate

Effect of the ASAF on Current Processes

C1 members question how the formation of the ASAF will complement, versus replace, some of the current ways the NSS provide input on standards as outlined in Paragraph 3.5.

There is a question regarding how overlap with respect to the NSS who are members of the IFRS Advisory Council would be handled. Further, members raised a question regarding how the Board will guard against any unintended effects that could diminish the role of the IFRS Advisory Council with respect to its input on the technical aspects of the Board's projects.

Size and Composition

C1 members believe that the proposed initial small size of the ASAF members is appropriate and can be adjusted as necessary after the ASAF is up and running for two years. Flexibility regarding the size of the ASAF can be useful in the two year evaluation process during which the Foundation takes into account factors regarding the initial composition of the membership. Regarding the composition of the forum, the IASB should do its best—both initially and at the two year evaluation point—to build the best forum in terms of whether the range of experiences of its members best reflects the range of situations among its national constituents.

Factors such as technical competence, uniqueness of its situation and experience, the organization's contribution to the IASB's standard-setting process and the scale and degree of the human capital resources available to the organization, among others, may be useful bases on which to map both the breadth and depth of its composition. In this regard, with reference to the geographical balance in Paragraph 6.8, the members noted that a seat was not specifically designated for the emerging markets, which may have different experiences. No doubt there are a variety of factors that come into play in the selection of members. Some C1 members would put more weight on geography as criteria so that there is appropriate representation of the countries among all the Foundation and IASB boards and committees and some members would put more weight on using the ability to contribute and actively participate as criteria. Further our members understand the thinking behind evaluating the methods of using IFRSs in selecting members for the ASAF. Some of our members put more weight on adoption and others on endorsement. In the end, the needs of both approaches are relevant.

Paragraph 6.12 states that "As a consultative group to the IASB, there should be the possibility for the IASB to invite a particular NSS or regional body to participate according to the IASB's specific agenda priorities at any point in time, subject to any candidate having the technical expertise and capability to play a full role in the ASAF." It is not clear whether this means the invited participant would become a full member of the ASAF.

Members

While Paragraph 6.11 states that membership should be reviewed every two years, no information is provided on whether terms are renewable and, if renewable, how many times.

Committee 1 members also raised a concern regarding the selection of individuals to serve as members of the ASAF, as described in Paragraph 6.14, and difficulties that are expected to be encountered in selecting individuals who would be able to represent the diverse views in their jurisdiction. One path forward could be for the Trustees to ensure that the designated representatives have a proper consultative process in place to reflect those different views. This would show appropriate commitment to support the role of the forum that is to provide input on national and regional issues as stated in Paragraph 6.3. This also echoes the risk discussed in Paragraph 6.31 which in turn strengthens the need for an oversight of the Foundation on a relevant consultative process within geographical areas.

Leadership

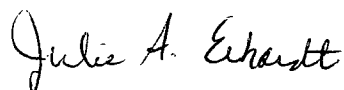
It is unclear why the proposal is for the chair of the ASAF to be the Chairman or Vice-Chairman of the IASB. If the IASB Chairman is the ASAF Chair, then it could lead to the perception that it serves more than in an advisory capacity. See the risk of "shadow board" which we previously mentioned. This would be less likely if the Vice-Chairman is the Chair of the ASAF. Did the IFRS Foundation consider the pros and cons of instead having a chair designated by the IASB Board or selected by the ASAF members? However, we think the IASB should set the agenda for the forum to serve its needs in standard setting.

Risks

C1 members noted that while the proposal states in Paragraph 6.33 that more IASB resources may be required, the question of funding was not addressed in the proposal. C1 members therefore believe a clear statement is necessary regarding how the IFRS Foundation and the ASAF participants would meet this need.

If you have any questions about the matters covered in this letter, please do not hesitate to contact me at + (202) 551-5300.

Sincerely,



Julie A. Erhardt
Chairman
IOSCO Committee 1
International Organization of Securities Commissions