

17 December 2012

Yael Almog
Executive Director
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

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

Dear Yael,

The Asian-Oceanian Standard-Setters Group (AOSSG) welcomes the opportunity to respond to the Invitation to Comment (ITC) to establish an Accounting Standards Advisory Forum (ASAF) of the International Accounting Standards Board (IASB).

The AOSSG currently has 25 member standard-setters from the Asia-Oceania region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Thailand, Uzbekistan, and Vietnam.

The AOSSG sets out to promote the development, convergence with, and adoption of IFRS as well as fostering the capacity of domestic standard-setting in the region to contribute to the work of the IASB.

This submission has been prepared by the AOSSG Chair's Advisory Committee (comprising eight jurisdictions) and reviewed by the wider membership. Individual members of the AOSSG may also choose to make their own submissions that are consistent or otherwise with aspects of this submission. It is a policy of the AOSSG that submissions reflect any diversity of views within the membership of which we become aware.

The Strategic Direction

The AOSSG strongly supports the Foundation's recommendation for a network to bring more closely together the IASB, the national and regional groupings of standard-setters. The AOSSG considers that the principle for the network being proposed:

In order to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards, the relationships between the IASB, the national standard-setters and the regional groupings of those standard-setters, should be

as strong as possible, with cooperation and assistance being provided in all directions, whilst maintaining the independence of each of the standard-setters involved.

The AOSSG believes that the network being created should involve mutual commitments between the national standard-setters, their regions and the IASB. The proposed ASAF would be an important part of that broader network and will need, for operational purposes, specific commitments between those directly involved, but consistent with those of the broader network. The AOSSG is not concerned if the latter precedes the former, as long as the broad architecture is put in place in due course.

The AOSSG's review of the proposal focussed on the public interest implications, whether they would enhance the AOSSG's ability to fulfil its own mission and how to ensure that the proposal does not lead to division between its members.

The ASAF Proposal

The proposal for an ASAF is seen by the AOSSG as a key element for achieving the Trustees' recommended strategy for an effective network. The proposal itself recognises that it is not a substitute for a broader relationship model between the IASB and national standard-setters and regional groupings thereof. We think this context should not be allowed to drift into the background or be obscured.

The AOSSG strongly supports the proposed ASAF concept because it is seen as a way for national standard-setters to engage very directly with the IASB, early in the IASB processes, on the major issues involved. This would both increase understanding and enable national standard-setters to convey views more effectively. For this to be optimal, the culture of the ASAF would need to be very respectful of differences of views, transparent and constructively minded. Such a culture would be a function of the membership and not of the structure. We think the Foundation will need to be careful in selecting members that are technically competent, representative and who can work together. We also support the idea that the size of the ASAF must be kept to a workable number.

The AOSSG acknowledges the risks and challenges listed in the proposal and agree they will need to be managed. Most importantly, we think they can be managed if the objectives are shared.

Conclusion

The AOSSG strongly supports the proposal for the formation of the ASAF and, subject to careful consideration of the wording, it also supports the proposed commitments that ASAF members would need to make. AOSSG members also support the proposed membership structure.

The AOSSG encourages the Foundation and the IASB to see the proposal as one element of the wider model of relationships with national standard-setters and regional groupings, and to

be mindful of the need to continue to support the regional groupings and all national standard-setters.

Our views are explained in more detail in the Appendix, which includes responses to the specific questions in the ITC.

We hope you find these comments useful and would be pleased to provide any further information you might require. If you have any queries regarding any matters in this submission or need further discussions on our comments, please contact either one of us.

Yours faithfully

A handwritten signature in black ink that reads 'K. M. Stevenson'.

Kevin Stevenson
Chair, AOSSG

A handwritten signature in black ink that reads 'Clement Chan'.

Clement Chan
Vice-Chair, AOSSG

Proposed Commitments to Global Standards [Question 1 of the ITC]

1. The AOSSG has reviewed the proposed commitments in paragraph 6.4 of the ITC and supports them. In addition, the AOSSG thinks that it is important that the ASAF should have a culture of being respectful of differences of views, transparent in its operations and constructively minded.
2. The wording of the proposed memorandum will need careful attention. The AOSSG does not wish to see the wording exclude a jurisdiction that is moving towards IFRS if it would otherwise meet the criteria for membership (including having appropriate IFRS technical expertise). Further, in an endorsement model that is used in some AOSSG member jurisdictions, it is critical that the legal responsibilities of the standard-setter to thoroughly review a proposed IFRS for adoption not be compromised by the MoU. The AOSSG is concerned that paragraph 6.4(4) implies carve outs may only be a function of the move towards adopting IFRS. Conceptually, every endorsement process involves the responsibility to not adopt some part of IFRS when to do so would not be in keeping with the relevant legislation. Expressed differently, even though a jurisdiction fully adopts IFRS that jurisdiction should not be asked to commit, under current legislation, never to carve out or make another kind of variation from IFRS. Member representatives of ASAF should be able to maintain their ongoing responsibilities to assess each proposal for extending or changing IFRS, even though they have a strong and demonstrated commitment to IFRS. The AOSSG suspects many national standard-setters would face the same issue if the MoU wording were too restrictive.
3. The AOSSG thinks the reference to ‘best efforts’ phrasing (in paragraph 6.4(4) of the ITC) goes some way towards meeting our point above, but it may imply that it is some external factor that is inhibiting the standard-setter, rather than being a result of the standard-setter making a judgement that the requirements of its empowering legislation are not met (even though the IASB may judge otherwise if it were under that same legislation).

Membership [Question 2 of the ITC]**Proposed size of the ASAF**

4. The AOSSG has considered the proposed membership structure and agree that it is reasonable. These members also note that the world will change and that the number of national standard-setters and regions that could contribute significantly to IFRS is likely to increase. This has been the history of international standards. If that happens, the number of ASAF members may have to be increased and the composition changed, but

APPENDIX

the membership should not be allowed to exceed a practical size, as the Foundation also noted in paragraph 6.8 of the ITC.

Proposed allocation to Asia-Oceania

5. The AOSSG is pleased to see the proposed regional allocation of three seats to the Asia-Oceania region. The AOSSG has a number of members with the resources and IFRS technical expertise to represent the region on the ASAF and considers there are more than three strong candidates within its membership but, as indicated above, thinks the Foundation should start cautiously in terms of numbers and, while there may need to be flexibility, should never allow the membership to become unworkably large. Should the Foundation consider allocating more seats to the Asia-Oceania region, the AOSSG is prepared to suggest more candidates from the grouping to represent the region.
6. The AOSSG concurs with the sentiment expressed in the proposed role of the ASAF that members would require a good knowledge of their jurisdictions/regions and of the concerns of each of a region's national standard-setters.

Proposed composition and criteria of membership

7. Members agree with the proposed factors for the ASAF composition [paragraph 6.11 of the ITC], and emphasise that an ASAF member's technical competence and availability of resources should be the key factors.
8. In addition, some members would be concerned if the proposed membership review of every two years would lead to a lack of continuity, particularly in view of the typical time taken to complete IASB projects. The Foundation may need to reconsider the frequency of reviews at a later stage.
9. Some members asked whether consideration could be given to according observer status (away from the table) to members of regional groupings.

Other comments

Timing of Implementation

10. The AOSSG encourages the Foundation to endeavour to meet the proposed timetable for implementation. It believes it is critical for the ASAF to be involved as early as possible in the various new projects being contemplated as a result of the future agenda consultation. This is an unusual window in standard-setting and will be open for a relatively short time. The AOSSG acknowledges that the existing core projects will still be under development, but thinks that the ASAF need only be used by the IASB to

APPENDIX

cover the very high level remaining issues that may remain after the ASAF is formed. The ASAF should not become a vehicle for returning to the basics of those existing core projects.

Rationalisation of International Forums

11. AOSSG members are prepared to use a substantial amount of their resources in supporting the IASB and other members in the Asia-Oceania region, and would also like to continue to benefit from dealing with the other regions, but probably on a more rationalised basis. Some members are concerned about the potential strains put on their resources if they were to participate in all of the existing international forums.
12. Most AOSSG members consider that the IASB's focus should be on the ASAF and regional groupings' meetings and that it should, in due course, rationalise, or encourage the rationalisation of, other types of meetings they currently host or participate in.

Regional implications of the Proposed ASAF

13. AOSSG members consider that maintaining the regional relationships is important because they are conscious that some of its members are worried that the ASAF will break down the culture of the AOSSG, dividing us between those at the ASAF table and those not. It is largely a matter for the AOSSG to ensure that its contributions to the ASAF represents a broad cross-section of the membership; but, as mentioned in paragraph 12 above, we think the IASB should also retain a focus on regional groupings' meetings. For example, the AOSSG would continue to expect IASB members and staff to attend its annual meetings and, where possible, informal meetings after the ASAF becomes operational. Thus, while the ASAF offers some rationalisation of effort for the IASB, this rationalisation is probably limited. The benefits of an ASAF are more likely to come more from greater effectiveness and timeliness of engagement.