

Trustees of the IFRS Foundation
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14 December 2012

Dear Trustees

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

The global organisation of Ernst & Young is pleased to respond to the invitation to comment on the *Proposal to Establish an Accounting Standards Advisory Forum* (the Report).

Overall, we support the IFRS Foundation's goals of increasing dialogue with the national standard setters and agree that creating the Accounting Standards Advisory Forum (ASAF) would be a step towards achieving that goal. We also strongly support the proposed MOU of the ASAF, specifically the proposal to include the commitment, responsibility and accountability for achieving the shared goal of a single set of globally accepted high-quality accounting standards.

However, we believe that many organisational and operational aspects of the proposed ASAF require consideration. Our comments have been summarised into three key headings: membership of the ASAF; role of the ASAF and the interaction of the ASAF with other groups. Our response to the specific questions in the Report is set out in the comments on the membership of the ASAF below.

Membership of the ASAF

As it is conceivable that more standard setters are interested in an ASAF membership than there are seats, the IFRS Foundation needs to exercise utmost care whilst determining the selection criteria for membership. In order to manage expectations, the criteria for membership could be clarified. It is also important that the criteria for membership are aligned with the purpose and the proposed role of the ASAF (see discussion below). Examples of areas that we believe should be clarified include the following:

- ▶ Indicating whether ASAF membership is aimed at regional bodies or national standard-setting bodies or at national-standard setting bodies representing a particular regional body;
- ▶ Clarifying if membership by a group representing an entire economic area (e.g., EFRAG) would impact whether the individual national standard setters that are represented by that supranational group are also given seats on the ASAF. This will also involve clarifying when a supranational group would be considered to represent national standard setters;

- ▶ Explaining how the proposed geographic breakdown for seats on the ASAF was determined. Was this breakdown based on the relative economic size of the geographic areas, on the extent to which IFRS is currently applied or some other criteria? The IFRS Foundation should also consider explaining whether the breakdown would be affected by any future developments in the basis on which the allocation was made.
- ▶ Addressing how (or if) adoption or acceptance of IFRS (or commitments to the adoption of IFRS) would be taken into account in determining membership for the ASAF. Would large economic areas that have not adopted IFRS (and currently with no firm plans to move to IFRS) be granted membership?

Regardless of which standard setters are given membership in the ASAF, there needs to be transparency throughout the process of creating the ASAF. The IFRS Foundation should take care that there is no appearance (or actual occurrence) of any particular group getting special access or that there is bias in the membership selection process.

In addition, we have some concerns about the frequency of membership review proposed. Paragraph 6.11 of the Report proposes membership will be “reviewed every two years”. Although we agree that there should be a review of the membership (rather than fixed terms), we are concerned that this period may be too short to allow members to contribute meaningfully and to develop continuity in membership for the ASAF to be effective. The goal should be to refresh the forum from time to time, but to retain some continuity to gain the maximum benefit from discussion with the standard setters.

We agree with the list of criteria given in paragraph 6.11 of the Report for assessment of whether renewal of membership should occur. However, in addition to these criteria, we believe that membership should also be reconsidered as a result of developments in the jurisdictions of the standard setter that are inconsistent with the MOU of the ASAF (e.g., public statements that a jurisdiction no longer plans to converge or convert to IFRS even in the longer term).

Role of the ASAF

We would like clarity on the purpose of the ASAF and the role it is meant to play in the standard setting process. The Report indicates that the purpose is to have “detailed technical discussions on current topics”, but it is unclear what this would mean in practice. Would this discussion take place before items are added to the agenda (or during the research phase), after items are added to the agenda (to debate merits of different approaches), during re-deliberations or for assistance in the post-implementation review (or all of the above)?

The proposed meeting schedule would make it difficult for there to be meaningful in-depth technical discussion as the proposal is for the ASAF to meet only four times a year (one being combined with the annual World Standard Setters meeting) for 1.5 days. For the ASAF to be a highly effective technical advisor (or to assist in field testing, drafting or impact assessments) then the group may need to meet more frequently.

Care in setting the agenda for the ASAF needs to be taken to avoid the appearance that there is undue influence on the IASB agenda. The IFRS Foundation should avoid situations in which the papers being discussed by the ASAF mirror too closely to the papers that are discussed by the IASB during deliberations at a subsequent meeting as this could be viewed as pre-determining the IASB discussions.

Interaction of the ASAF with other groups

There are now a number of different groups either organised directly by the IFRS Foundation or set up independently that are providing inputs to the IFRS Foundation (e.g., IFRS Advisory Council, Emerging Economies Group, World Standard Setters and the International Forum of Accounting Standard-Setters). We believe the IFRS Foundation should express clear goals for these separate groups and address how these groups are expected to interact with the IASB (and/or each other).

The IFRS Foundation should also express whether there should be any interaction between memberships of these separate groups. For example, would membership in the Emerging Economies Group mean that there would be no need for standard-setters from emerging economies to be considered for membership in the ASAF? Would membership of the Advisory Council preclude a national standard setter from being a member of the ASAF?

The interaction between the IASB, ASAF and national standard setters that are involved in a specific project should also be clarified. This would also include addressing the process of how a national standard setter is selected to assist in a specific project. When assigning an IASB technical project to a member of the ASAF, we believe that care should be taken to avoid any potential undue influence or conflict of interests.

Should you wish to discuss the contents of this letter with us, please contact Ruth Picker on +44 (0)20 7951 3497 or Leo van der Tas on +44 (0)20 7951 3152.

Yours faithfully

