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IFRS Foundation®

Feedback Statement

Proposal to establish an Accounting Standards Advisory Forum



**Proposal to Establish an Accounting
Standards Advisory Forum: feedback statement**

February 2013

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PROPOSAL TO ESTABLISH AN ACCOUNTING STANDARDS ADVISORY FORUM: FEEDBACK STATEMENT FEBRUARY 2013

Foreword by Michel Prada

This time last year, the Trustees published a series of recommendations in their *Strategy Review* to confirm the global reach of IFRSs and the global nature of the IASB. One of the most important recommendations of that review was to establish a platform for enhanced co-operation with the worldwide accounting standard-setting community.

That initiative was long overdue. Since the IASB was established in 2001, it has continued to rely heavily on the support of accounting standard-setters, mainly through an informal network of contacts but also through formal Memoranda of Understanding with a handful of national standard-setters from the world's largest economies. This approach worked well when the IFRS community was relatively small, but as use of the Standards has increased it has become increasingly difficult for the IASB to manage this complex web of relationships.

Ten years on, we now have more than 100 countries using our Standards. This means that, for every Standard that the IASB develops, it needs to feel confident that the Standard can be applied, on a consistent basis, across each of these countries—large and small, developed and emerging. This task is much easier to achieve with the support of other accounting standard-setters with important local and regional knowledge. That is why the Trustees recommended the formalising and streamlining of its relationships with representatives from across the standard-setting community, in order to bring important regional perspectives to the IASB's technical work and to offer feedback on the most important issues of the day.

We published proposals in November 2012 and received more than 60 comment letters. We received overwhelming support for the establishment of the Accounting Standards Advisory Forum (ASAF) as well as some helpful suggestions for improvements that could be made. Many of these suggestions have been incorporated into the ASAF terms of reference (which are set out in Appendix A to this document). This feedback statement summarises what we heard and how we responded.

The ASAF will be an important group, but it should not be an exclusive group. Even though we expect to have representatives from the main regional groupings and other jurisdictions around the ASAF table, we will continue to maintain dialogue with other accounting standard-setters around the world and to work with them on research projects, implementation challenges, outreach activities, field testing and Post-implementation Reviews. We will continue to welcome secondees from such standard-setters and to seek their advice on a range of issues.

In addition to advising the IASB in its technical work, we anticipate that the ASAF will also help to facilitate the endorsement of IFRSs. Deepening co-operation with national and regional standard-setting bodies at an early stage and throughout the life cycle of the standard-setting process should lead to a reduction in the risk of non-endorsement once that Standard is issued.

Members of the ASAF themselves should play an active role within their own regions. Our shared goal is to develop Standards of the highest quality. The IASB has limited resources and we need the ASAF to serve as an extension of our own standard-setting capabilities.

I thank you for your feedback, and look forward to the first meeting of ASAF.

Michel Prada

Chairman of the Trustees of the IFRS Foundation

1. Introduction

- 1.1 This Feedback Statement analyses the comments received in response to the IFRS Foundation's public consultation paper *Invitation to Comment: Proposal to Establish an Accounting Standards Advisory Forum* (Invitation to Comment, ITC), which was issued in November 2012. The consultation closed on 17 December 2012. This Feedback Statement also sets out how the IFRS Foundation has responded to the comments made.
- 1.2 This Feedback Statement accompanies the call for candidates for membership of the Accounting Standards Advisory Forum (ASAF), together with the proposed Terms of Reference (Appendix A) and a Memorandum of Understanding to be signed by the IFRS Foundation and members of the ASAF (Appendix B). These documents reflect some of the feedback that the IFRS Foundation has received.

2. Summary of types of respondent and their geographical region

- 2.1 The Foundation received 63 comment letters from organisations as listed in Appendix C to this document¹. The letters are summarised below by type of respondent and geographical region.

Respondent type	Number of respondents	Percentage of respondents
Standard-setter (including endorsement advice bodies such as EFRAG)	19	30%
Accountancy body	11	18%
Preparer/industry	11	18%
Accounting firm	6	10%
Oversight body of a standard-setters	4	6%
Regulator/securities	5	7%
Preparer/representative body	3	5%
Individual	3	5%
Government or policymaker	1	1%
Total	63	100%

Geographical region	Number of respondents	Percentage of respondents
Africa	4	6%
Americas	9	15%
Asia-Oceania	14	22%
Europe	26	41%
Global	10	16%
Total	63	100%

¹ One comment letter that was submitted on 23 January 2013, and was received too late to be included in the analysis, was considered by the Trustees of the IFRS Foundation at their meeting in January 2013.

- 2.2 The proposal was also considered at the October 2012 meetings of the IFRS Advisory Council (Advisory Council) and the International Forum of Accounting Standard-Setters (IFASS). The results of a survey of Advisory Council members on the proposal was also reported to, and considered by, the Trustees of the IFRS Foundation at their meeting in January 2013.

3. Questions

- 3.1 The Foundation requested comments on the questions, principles and recommendations in the following areas:

Question number	Question
1	Do you agree with the proposed commitments to be made by ASAF members (paragraph 6.4) and that they should be formalised in a Memorandum of Understanding (paragraph 6.5)? Why or why not?
2	The Foundation believes that, in order to be effective, the ASAF needs to be compact in size and composition as set out in paragraphs 6.7– 6.13. Do you agree? Why or why not?

4. General Support

- 4.1 The proposal to establish the ASAF received almost unanimous support, with some respondents emphasising their ‘strong’² support and three respondents urging the IFRS Foundation to establish the ASAF as soon as possible.³ The Trustees were informed that 26 members of the Advisory Council that had participated in the survey referred to above had all supported the establishment of the ASAF.
- 4.2 Reasons for support included “it will strengthen the standard-setting process”,⁴ “[it will] lead to high quality research and consultation documents and, ultimately, higher quality standards”,⁵ “such a network is vital for the establishment of and maintenance of a global set of standards”,⁶ “it will achieve a more streamlined, transparent and collective relationship”,⁷ “it is an appropriate means to utilise the technical skills and experience that exist in national and regional standard-setting bodies in the development and implementation of IFRSs”,⁸ “it will foster the effective and efficient functioning of the IASB’s deliberation process”,⁹ “it will

2 AOSSG (Comment Letter (CL) 17), SingASC (CL26)

3 AASB (CL14), AOSSG (CL17), Deloitte (CL21)

4 Unilever (CL6)

5 XRB (CL7)

6 AASC (CL14)

7 Chris Barnard (CL16)

8 Deloitte (CL21)

9 ASBJ (CL22)

enhance clarity and understanding of standards across the board”¹⁰ and it will “significantly enhance the quality and consistency of input from [National Standard-setters] NSS and regional bodies”.¹¹

- 4.3 Only two respondents explicitly disagreed with the proposal¹² and one other¹³ put forward an alternative suggestion for a council/board of accounting standard-setters. One respondent, while supporting the initiative to strengthen relationships between the IASB and the NSS, felt that this was better achieved through direct and more frequent interaction with the NSS.¹⁴ One of the two respondents raised a concern that, considering the number of groups that the IASB already has, the only reason for introducing another would be to reduce the number of jurisdictional stakeholders that it talks to.¹⁵ A further respondent said that it was not in a position to explicitly endorse the proposal, commenting that this was partly because its members were still considering it, but this respondent also outlined a number of issues that, if addressed, would potentially make their membership firms more comfortable with the proposal.¹⁶
- 4.4 Some respondents commented on the length of the consultation period and the timeliness of the ASAF’s proposed initiation. While four respondents welcomed the timing of the ASAF’s initiation¹⁷ because of the stage of progress towards IFRS in major jurisdictions¹⁸ and the introduction of new topics to the IASB’s agenda,¹⁹ some respondents expressed concerns about the short consultation period. Issues that were raised included that there was not enough time for the views of interested parties to be collected (particularly where translation was required), that it may have due process implications and that more time might be necessary to fully evaluate views and ensure that the ultimate design achieves the desired support from the NSS and other stakeholders.²⁰

The IFRS Foundation response

- 4.5 The IFRS Foundation acknowledges that the timetable is an ambitious one, but believes it is important that the ASAF is established as soon as possible, and in time to start providing advice and input on the IASB’s forward agenda.

10 CPAK (CL23)

11 CINIF (CL45)

12 L Nelson Carvalho (CL24) on the grounds that is premature to set up such a Forum; RFR (CL39), who think it would be more fruitful to develop direct relationships and more frequent interaction with NSS.

13 ANC (CL58), in a paper ‘National Standard-Setters and the IASB: Joining Forces for Global Accounting Standard-Setting’, which it has been developing with a working group of standard-setters from Germany, Italy, Japan and the UK.

14 SFRC (CL39)

15 Nelson Carvalho (CL24)

16 IIF (CL13)

17 AusFRC (CL4), AASB (CL14), AOSSG (CL17), Deloitte (CL21)

18 AusFRC (CL4)

19 AusFRC (CL4), AASB (CL14), AOSSG (CL17)

20 IMA (CL9), IE (CL20), RVDJ (CL27), ACTEO, AFP, MEDEF (CL34), PwC (CL38), BE (CL44), BDO (CL54), EFRAG (CL57)

- 4.6 A more detailed analysis of the comments and submissions received is set out below. The objectives of the ASAF are outlined first, then the responses to questions in Section 3 and thereafter an analysis of the additional comments that were made by respondents.

5. Objectives and remit of ASAF

- 5.1 The ITC specified that the aim of establishing the ASAF was to formalise the IASB's relationship with the NSS and those regional bodies that are involved in accounting standard-setting and to improve the IASB's engagement with them on a collective basis. With the convergence programme with the US Financial Accounting Standards Board (FASB) coming to an end and the use of IFRSs spreading around the world, there is a pressing need for the IASB to rationalise its relationships with the NSS and regional bodies and to put them onto a more logistically sustainable and compact basis.

Clarification of ASAF objectives

- 5.2 One respondent commented that the objectives were well defined and appropriately documented,²¹ while others supported the advisory nature of the ASAF.²² However, some respondents sought clarity on certain areas,²³ with others²⁴ asking for clarification about specific points:
- (a) Is the ASAF discussion before or after items are added to the agenda?
 - (b) Is it during redeliberations?
 - (c) Will the ASAF provide assistance in Post-implementation Reviews (PIRs)?
 - (d) What is the scope of technical discussion that the ASAF will undertake?
- 5.3 One response said that the objective should be better articulated, particularly with regard to how the ASAF would impact on the Advisory Council,²⁵ while another respondent commented that, while the current focus appears to be technical, it is not clear what the boundaries are and whether the focus can change or evolve over time. The respondent added that they did not see the overriding objective of the proposal and how it will enhance the standard-setting process.²⁶
- 5.4 Another respondent suggested the objectives needed further clarification and proposed that the EFRAG and ASB paper *Considering the Effects of Accounting Standards* could provide guidance in clarifying the purpose of the Forum because it determines a standard-setter's responsibility.²⁷

²¹ CINIF (CL45)

²² NASB (CL35), FEE (CL53)

²³ BE (CL44), ICAEW (CL51)

²⁴ E&Y (CL11), BE (CL44), EFRAG (CL57)

²⁵ KPMG (CL52)

²⁶ RVDJ (CL27)

²⁷ EFRAG (CL57)

Limitations to ASAF remit:

- 5.5 One respondent noted that paragraph 6.3 of the ITC states that ASAF's role is to provide advice and views to IASB on major technical issues but also "to provide input on national and regional issues". The respondent made the comment that the second element does not appear practical, considering that national and regional issues may often be unique, requiring a great deal of study (eg. implications of a country's new tax laws) and ASAF will have plenty to do just by considering IASB issues.²⁸ Another respondent commented that it does not see ASAF as actively achieving consistency in practice, because this relates to the final Standards.²⁹ Reflecting these two comments, one response asserted that the IASB and its stakeholders should be realistic about what they can achieve and ASAF should be viewed within the context of and, more importantly, as a complement, to many other opportunities for engagement with NSSs and regional bodies.³⁰

Specific objectives for consideration:

- 5.6 A number of respondents proposed specific wording for the overall objective of ASAF,³¹ while a number of other respondents proposed specific roles for ASAF:
- Emphasise in-depth analysis of local consequences of the global accounting principles application³²
 - Focus beyond the IASB agenda on matters that are vital to achieving convergence on accounting standards around the world, whether on the IASB agenda or not³³
 - Focus on research and development rather than on issues about consistency and application of current Standards³⁴
 - Focus on new Standards and advising IASB on technical and conceptual issues to resolve major new issues (while the Advisory Council focuses on strategic matters of standard-setting and its governance)³⁵
 - Focus on co-operation among members and collecting input from constituents³⁶
 - Share potential agenda items, research, proposals and findings among NSS³⁷

28 IMA (CL9)

29 EFRAG (CL57)

30 PwC (CL38)

31 DASC proposed 'An advisory forum to have technical discussions early in and during the IASB standard setting process in order to improve the quality of the final standards and in order to get global input and understanding of global issues in Discussion Papers and Exposure Drafts, also in order to avoid misunderstandings and misunderstood opposition against IASB proposal and standards' (CL8), 'Deloitte proposed contributing to the development of a single set of high-quality, understandable, enforceable, globally-accepted financial reporting standards by providing a forum for global perspectives in technical discussions throughout the IASB's standard-setting process to improve the quality of IFRSs, the IASB's responsiveness to global issues and assist in facilitating the incorporation in the financial reporting framework of a jurisdiction IFRSs as issued by the IASB without modification' (CL21)

32 FBF (CL18)

33 FEI (CL32)

34 KPMG (CL52)

35 KPMG (CL52)

36 EBF (CL54)

37 FAF (CL60)

- Ensuring there is no difference in timing between EU endorsement of standards and the effective date of the standard as announced by the IASB. eg if the EU does not endorse IFRS 9 before the end of 2014, preparers within the EU that are listed in the US will need to maintain two sets of accounting records. Because of the substantial changes in IFRS 9, this would be needlessly complex and risky to implement³⁸
- Providing sufficient time after EU endorsement before the effective date of the Standard so we can fully prepare our systems and staff³⁹
- Continuing the efforts to align US GAAP with IFRS to improve compatibility⁴⁰.

Independence of IASB:

- 5.7 One respondent noted that the Forum could compromise the independence of the IASB but commented that as long as this is addressed thoroughly, and with transparency, standard-setting and implementation will improve.⁴¹ Another response emphasised that there should be clear recognition by Forum participants of the technical independence of the IASB and the IASB should respect the independent roles of NSS and regional bodies in their relevant contexts.⁴²

Maintaining advisory and technical function:

- 5.8 A number of respondents highlighted that ASAF should remain a technical body with an advisory function and not develop into a shadow board or political forum.⁴³ Others highlighted the need to mitigate the risk of it being perceived in such a way,⁴⁴ setting clear objectives and explicitly committing its members to the IASB's independence in order to clarify this.⁴⁵ It was emphasised that the advisory, non-decision-making function needs to be clearly communicated in order to manage expectations, clarifying that views should be listened to carefully but there should be no sense that the group has a veto over technical proposals, even if the majority of participants are in agreement that they dislike a particular proposal.⁴⁶ It was also raised that there is a risk that the ASAF will be seen as binding or prejudicial to the IASB's decisions on future Standards and that this could compromise the IASB's independence and weaken it as a global standard-setter.⁴⁷

38 Unilever specifically wanted the ASAF to focus on areas that would benefit preparers (CL6)

39 Unilever (CL6)

40 Unilever (CL6)

41 Chris Barnard (CL16)

42 Deloitte (CL21)

43 DASC (CL8), ACCA (CL33), NASB (CL35), PASC (CL50), KPMG (CL52), FEE (CL53)

44 ACCA (CL33)

45 KPMG (CL52)

46 ICAEW (CL51)

47 FEE (CL53)

Terms of Reference (ToR):

- 5.9 Some respondents commented on the possible contents for the ToR. One response noted that there should be no mention of accountability in the ToR because ASAF is not part of the governance of the organisation.⁴⁸ It emphasised that the ToR should clearly outline what ASAF is trying to achieve, namely a timely engagement between the IASB, NSS and regional bodies throughout the standard-setting cycle and this engagement should be set explicitly within the context of the IASB's due process. The response emphasised that ASAF is advisory and it needs to be understood that there is no guarantee that positions taken will prevail. It noted that paragraph 6.4 would form the basis of the ToR.
- 5.10 A further letter said the ToR should emphasise that the Forum should not supersede or override any existing connections between the IASB and individual national and regional bodies, and nor is it intended to cut off any other access that the IASB's constituents currently have to the IASB or to become a required conduit for such access.⁴⁹

The IFRS Foundation response

- 5.11 The IFRS Foundation's view is that the ASAF should focus on the technical standard-setting activities rather than have a broader remit, which runs the risk of it becoming a more general 'talking shop'. For example, one area where the input of ASAF has been identified as being important is the IASB's Conceptual Framework project.
- 5.12 The IFRS Foundation has considered the suggestion that ASAF could be more of an 'interactive round table' for the benefit of all standard-setters, who could bring to the table issues that are not currently on the IASB's agenda but that might be under consideration by individual NSS (and so could be potential IASB agenda items). That could work, but it is important that the focus remains on the IASB's technical standard-setting agenda, and that any issues added would only be those that could have major implications for the IASB's work.
- 5.13 The IFRS Foundation agrees with the views of many respondents who stressed the importance of the ASAF being an advisory body only and that it should not be perceived as being a parallel or shadow Board. ASAF members should therefore respect the IASB's independence, although a number of respondents commented that, equally, the IASB needs to respect the independence of NSS and regional bodies under their own specific mandates. The IFRS Foundation agrees with this, and has reflected this point in the draft MoU that accompanies the Call for Candidates.
- 5.14 In the light of the comments, the IFRS Foundation proposes that the objectives of the ASAF should be as follows (as reflected in the proposed Terms of Reference and MoU):

The objective of the ASAF is to provide an advisory forum where members can constructively contribute towards the achievement of the IASB's goal of developing globally accepted high quality accounting standards. More particularly, the ASAF is established to:

- support the Foundation in its objectives, and contribute towards the development, in the public interest, of a single set of highquality understandable, enforceable and globally accepted financial reporting standards to serve investors and other market participants in making informed resource allocations and other economic decisions;

⁴⁸ Deloitte (CL21)

⁴⁹ AcSB (CL31)

- formalise and streamline the IASB's collective engagement with the global community of NSS and regional bodies in its standard-setting process to ensure that a broad range of national and regional input on major technical issues related to the IASB's standard-setting activities are discussed and considered;
- facilitate effective technical discussions on standard-setting issues, primarily on the IASB's work plan but which may include other issues that have major implications for the IASB's work, in sufficient depth, with representatives at a high level of professional capability and with a good knowledge of their jurisdictions/regions.

6. Question One: Commitments and Memorandum of Understanding (MoU)

1	Do you agree with the proposed commitments to be made by ASAF members (paragraph 6.4) and that they should be formalised in a Memorandum of Understanding (paragraph 6.5)? Why or why not?
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6.1 Question 1 of the ITC sought the views of constituents on a proposal that NSS and regional bodies wishing to participate in ASAF should formally sign up to a number of commitments in an MoU as follows:

- 1 supporting the IFRS Foundation's mission to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards;
- 2 encouraging input from their jurisdiction/region to the technical activities of the IASB, in order to contribute to a single set of high quality, understandable, enforceable and globally accepted financial reporting standards;
- 3 supporting consistent application of IFRSs by jurisdiction and in their region;
- 4 making their best efforts to promote the endorsement/adoption of IFRSs in full and without modification over time (recognising that, at present, jurisdictions are at different stages in moving towards IFRSs and have adopted different mechanisms to achieve this).
- 5 In addition, any member would need to have the resources and capability to play a full role in the Forum's technical work, including preparation for meetings and participation in substantive technical discussions. There is a wealth of experience and expertise within the community of NSS and regional bodies and the aim is to harness that to best effect.

Majority response:

6.2 The majority of respondents supported some form of commitment and their formalisation. Some respondents expressly supported the commitments in their current form,⁵⁰ while others offered broad support⁵¹ and some other respondents supported the commitments but suggested amendments that would better support the Forum's objective and membership. These points are discussed in greater detail in the following sections.

⁵⁰ HKICPA (CL5), Uniliver (CL6), E&Y (CL11), NOFA (CL37)

⁵¹ For example JICPA (CL19), CSA (CL29), IDW (CL42), FEE (CL53)

- 6.3 There were some respondents, however, who did not feel that such formalisation was necessary.⁵² One respondent asserted it to be counter to the impression that it is not a formal group and highlighted that the Advisory Council, which is recognised in the Constitution, does not require such commitments from its members.⁵³ Another respondent felt that an MoU was unnecessary, commenting that acceptance of an invitation to membership should indicate commitment.⁵⁴

General principles of commitments:

- 6.4 While there were a number of specific comments on the individual commitments, some respondents had more general comments on the principles behind the commitments as outlined in paragraph 6.4 of the Invitation to Comment (ITC). These comments often did not reflect opposition to a set of commitments and their formalisation, but instead reflected general concern about how the proposed commitments would be interpreted if their detail was not appropriately addressed.
- 6.5 One respondent understood the need for formalisation but disagreed with formalisation as expressed in paragraph 6.4, highlighting that it read as “a deed of adherence and would not be prone to fostering co-operation”.⁵⁵ Another commented that it is not appropriate to ask Forum members participating on a voluntary basis to make these commitments, commenting that the ASAF is founded on goodwill and the MoU should reflect this.⁵⁶ A further comment agreed with the importance for members to commit themselves to participate fully and constructively but commented that the proposed MoU was not the best way to do this, instead suggesting a commitment for “IASB and ASAF members to devote adequate resources, to prepare thoroughly, to act as a faithful conduit for communication in both directions between the ASAF and constituents and to participate in discussions in an open-minded way”.⁵⁷ One response commented that ASAF can only be successful if all participants are committed to doing all that is necessary to achieve constructive exchanges in “good faith and with open minds” but expressed reservations about the nature of commitments required for ASAF and in particular their formalisation in an MoU.⁵⁸ Another response commented that by focusing on risks to the IASB and outlining principles and obligations that a member must commit to, it does not suggest a spirit of partnership in the relationship between the IASB and NSS which should be core to the common working relationship.⁵⁹

52 PwC (CL38), G100 (CL46)

53 PwC (CL38)

54 G100 (CL46)

55 France Telecom (CL1)

56 Deloitte (CL21)

57 BE (CL44)

58 ACTEO, AFEP, MEDEF (CL34)

59 FRC, ANC, ASCG, OIC (CL56)

Mutual commitments:

- 6.6 In addition to supporting the principle of commitments for ASAF members, a number of respondents commented that the IASB should formalise its own commitments to ASAF members.⁶⁰ Suggestions for commitments included that the IASB should commit itself to helping NSS,⁶¹ the IASB should commit itself to air issues not on IASB agenda⁶² and the need for independence to be granted to all ASAF participants in order to guarantee a free exchange of technical views and avoid the perception that non-IASB participants are an “offshoot of the IFRS organisation”.⁶³ However, another respondent also raised the importance of a commitment to the independence of the IASB, transparency and openness.⁶⁴

The commitments in relation to the objectives of the ASAF:

- 6.7 While respondents often agreed with the need for commitments, some felt that the proposed commitments were not relevant to the technical advisory nature of the group⁶⁵ with one respondent commenting that ASAF’s “sole purpose is to act in the public interest, bring the views of their constituency to the table, participate actively and ensure their debates are conceptual in nature”.⁶⁶ A further respondent commented that the proposed commitments give the impression that NSS input is sought only when NSS have something to offer in addition to knowledge, experience and expertise in standard-setting and go beyond the stated purpose of ASAF.⁶⁷

Responses on individual commitments:

- (1). *“supporting the IFRS Foundation’s mission to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards;”*
- 6.8 There was general support for this commitment, with one respondent offering strong support for its wording, commenting that it would have significant concerns about why an NSS was participating in ASAF if it was not committed to a single set of global standards.⁶⁸ However, while many respondents supported the principle of working in the public interest and developing a single high quality Standard,⁶⁹ a number of respondents were keen to emphasise that the commitments should not preclude membership of any jurisdiction.⁷⁰ One response

60 KASC (CL15), Deloitte (CL21), RVJD (CL27), Mazars (CL47), ICAC (CL48)

61 AASB (CL14)

62 HKICPA (CL5)

63 ACTEO, AFEP, MEDEF (CL34)

64 CPA Aus, ICAA (CL36)

65 IE (CL20), ACTEO, AFEP, MEDEF (CL34), Mazars (CL47), PASC (CL50), EFRAG (CL57)

66 XRB (CL7)

67 IOSCO (CL41)

68 HKICPA (CL5)

69 AusFRC (CL4), HKICPA (CL5), Unilever (CL6)

70 AusFRC (CL4), IIF (CL13), AASB (CL14), ACCA (CL33), EBF (CL55), EFRAG (CL57)

noted that while the pursuit of a single set of global accounting standards was a “worthy objective”, there was an issue as to whether it was a practical goal for the foreseeable future.⁷¹ This is discussed further under Commitment 4. Two respondents proposed changes to wording of this commitment.⁷²

(2). *“encouraging input from their jurisdiction/region to the technical activities of the IASB, in order to contribute to a single set of high quality, understandable, enforceable and globally accepted financial reporting standards;”*

- 6.9 Again there was general support for this commitment although two respondents⁷³ proposed deleting the words after the comma to avoid repetition. One respondent also suggested that the commitment should be reworded to achieve a better focus on the need for ASAF to have fully representative participants,⁷⁴ a comment supported by a number of respondents who felt the MoU should explicitly state that the NSS and regional bodies represent views of other NSS in their region.⁷⁵

(3). *“supporting consistent application of IFRSs by jurisdiction and in the region;”*

- 6.10 While one respondent suggested that the emphasis should be put on consistent application of IFRSs globally⁷⁶ the majority of comments on this commitment reflected the opinion that this was either not relevant to the objective of the ASAF,⁷⁷ that members would not be expected to have a big influence on consistent application in their jurisdictions⁷⁸ being an interpretative or supervisory task⁷⁹ or that it would not be relevant to jurisdictions that do not apply IFRS.⁸⁰ One respondent⁸¹ commented that consistent application was a function of both the competence of preparers, affected by education systems, and the regulatory framework, and noted that the ITC

71 FAF suggested that, while pursuit of a single set of global accounting standards is a ‘worthy objective’, a more practical goal for the foreseeable future might be to achieve highly comparable (but not necessarily identical) financial reporting standards among the most developed capital markets that are based on a common set of international standards (CL60).

72 AcSB commented that for both this commitment and commitment 6.4.2 it was confusing to restate the Foundation’s mission differently than in the Trustee’s Strategy Review. Adding the words ‘understandable’ and ‘enforceable’ is unnecessary because they contribute to high quality (CL31); EFRAG proposed completing the text with reference to objectives set out in the Constitution (paragraph 2a) to read ‘which should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world’s capital markets and other users of financial information make economic decisions’(CL57).

73 DASC (CL8), EFRAG (CL57)

74 EFRAG suggested that participants should ‘organise their internal processes so as to have a legitimate representativeness of their jurisdiction and region in their participation to ASAF’ (CL57).

75 SAICA (CL2), SAFRSC (CL3), HKICPA (CL5), IMA (CL9), GDV (CL40)

76 AcSB (CL31)

77 IE (CL20), NASB (CL35)

78 SAICA (CL2), SAFRSC (CL3), DASC (CL8)

79 NASB (CL35)

80 ACTEO, AFEP, MEDEF (CL34), PASC (CL50)

81 Avante (CL62)

did not comment on the interface between the Foundation's education initiative and the Forum. Specific proposals on the wording were made in three responses⁸² and one respondent suggested the commitment should be deleted for ASAF but highlighted that it was highly relevant for NSS participation with the Foundation.⁸³

- (4). *"making their best efforts to promote the endorsement/adoption of IFRSs in full and without modification over time (recognising that, at present, jurisdictions are at different stages in moving towards IFRSs and have adopted different mechanisms to achieve this);"*

6.11 One respondent expressly supported the commitment to promote endorsement and adoption of IFRSs, highlighting that it improves comparability across peer groups.⁸⁴ However, this commitment attracted the highest level of comment and opposition. Some respondents felt that this commitment was inconsistent with the objective of the ASAF⁸⁵ while a number of respondents commented that no participant with a responsibility for an endorsement process can commit itself to promote endorsement if the final Standard is assessed not to meet the endorsement criteria of that jurisdiction.⁸⁶ One respondent⁸⁷ made the point that requiring a written commitment to IFRSs in full and without modification would exclude many jurisdictions from membership. Another commented that they did not think it was the intention for the commitments to compromise the NSS's legal responsibility to review new or revised IFRSs for adoption in its jurisdictions, but proposed rewording to avoid misinterpretation by NSS that had concerns about formalising this.⁸⁸ One respondent⁸⁹ noted that, with only 12 members, the ASAF would not achieve much on this issue.

6.12 There were also a number of responses questioning how the commitments related to jurisdictions that had not committed to IFRS adoption. One respondent questioned what the consequences are of not making 'best efforts'⁹⁰ and other respondents requested clarification in the document on whether non-IFRS jurisdictions could become members and how the commitments could be matched to them.⁹¹ Another respondent went on to emphasise that participation by FASB and ASBJ is essential to international co-ordination and it is also important to recognise adoption of IFRSs in their country is not exclusively within the control of

82 DASC proposed that the wording is deleted or changed to 'encourage' as in 6.4.2; (CL8) GDV requested clarification that the wording was not intended to contradict the responsibilities of NSS/regional bodies (CL40); ACTEO, AFEP and MEDEF suggested differentiating between those requiring IFRS for domestic purposes or formally committed to do so and those for whom adoption is 'but a distant objective'.

83 EFRAG (CL57)

84 Unilever (CL6)

85 IE (CL20), MAZARS (CL47), Avante (CL62)

86 AASB (CL14), DSAK (CL25), CPC (CL30), AcSB (CL31), FEI (CL32), ACTEO, AFEP, MEDEF (CL34), NASB (CL35), IOSCO (CL41), CASC (CL43), PASC (CL50)

87 FAF (CL60)

88 SingASC (CL26)

89 Avante (CL62)

90 IOSCO (CL41)

91 CPC (CL30), IOSCO (CL41)

standard-setters.⁹² It was highlighted that limited participation was not helpful to the ASAF and membership should be premised on obtaining the best and most useful feedback possible with the risk that the current commitments could result in members that are eligible to sign the MoU but are not best placed to be contributors.⁹³

6.13 A certain number of respondents suggested specific wording changes.⁹⁴

- (5). “in addition, any member would need to have the resources and capability to play a full role in the Forum’s technical work, including preparation for meetings and participation in substantive technical discussions. There is a wealth of experience and expertise within the community of NSS and regional bodies and the aim is to harness that to best effect.”

6.14 There was general support for this commitment, with one respondent believing it necessary to ensure the appropriate quality of discussions.⁹⁵ However, one respondent requested clarification on who would be responsible for the travel expenses, raising the point that some regional groups do not have the staff or resources to attend the meetings.⁹⁶

The IFRS Foundation response

6.15 In terms of the general principles relating to the commitments, the IFRS Foundation accepts the validity of the comments that the commitments outlined in the ITC were all addressed to ASAF members and the questions raised by a number of respondents as to what the IASB would be committing itself to. The proposed Memorandum of Understanding (MoU) issued with the Call for Candidates for ASAF members includes (in section 3) a set of proposed commitments that the Foundation will sign up to, namely:

- Actively engaging with the ASAF and ensuring that its views and feedback are faithfully and fully presented to the IASB as a substantive part of stakeholder outreach.
- Providing technical resources to contribute to ASAF’s effective work and discussions, including the participation of IASB representatives (the Chair and other IASB members), and experienced staff with technical expertise.
- Providing the necessary liaison, communication and support between the ASAF and the IASB.
- Preparing the agenda and ensuring the timely circulation of the agenda and supporting papers (prepared by IASB staff or ASAF members), in order to ensure that ASAF members

92 IIF (CL13)

93 FEI (CL32), IOSCO (CL41)

94 ASBJ suggested changing the wording to ‘making the best effort to promote endorsement/adoption of IFRSs which would have been improved through advice and other activities conducted by the ASAF over time (recognising that, at present, jurisdictions are at different stages in moving towards IFRSs and have adopted different mechanisms to achieve this)’ (CL22); AcSB said that the emphasis needs to be placed on ASAF members committing 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 (CL31); CASC suggested amending wording and deleting the phrase ‘in full and without modification over time’. It was suggested that the convergence model was added into the commitments since some jurisdictions use the approach of substantial convergence (CL43); EFRAG proposed that this commitment is explained as a shared goal and responsibility of ASAF and IASB (CL57); BDO proposed an amendment to read ‘making an active contribution to ASAF’s work, with a view to enabling the endorsement/ adoption of IFRSs in full and without modification’ (CL54)

95 XRB (CL7)

96 CINIF (CL45)

have the opportunity to be fully prepared and capable of actively and constructively participating in all ASAF discussions and work.

- Providing the necessary resources and secretariat to host the ASAF meetings.
- Ensuring full transparency of ASAF discussions, including that all meeting agendas, supporting papers and meeting summaries are placed in the public domain, meetings are webcast, and preparing and publishing appropriate press releases and communication following ASAF meetings for the benefit of stakeholders and observers around the globe.
- Respecting the independence of ASAF members and recognising that ASAF's members operate under their own specific national mandates, and undertakes not to undermine or compromise the existing legal rights and obligations of the ASAF members within their respective jurisdictions.

6.16 In the light of the responses, the IFRS Foundation is also making some changes to the individual commitments as they were set out in the ITC.

6.17 The ITC highlighted the importance of commitment (1), and the proposed MoU specifies supporting and contributing to the IFRS Foundation's mission of developing a single set of globally accepted high-quality accounting standards as one of the objectives of the ASAF. The commitment has been amended from that in the ITC so that ASAF members, instead of committing themselves to support the mission itself, instead sign up to support the Foundation in its mission to develop a single set of globally accepted standards. This is a subtle change, but one that fits the role of ASAF as advising the IASB. The Foundation's mission has been supported by the G20 in successive communiqués from 2008 onwards. The proposed MoU and the proposed Terms of Reference, which accompany the Call for Candidates, also highlight that the objective of achieving a single set of globally accepted accounting standards has been emphasised by the G20.

6.18 The IFRS Foundation acknowledges and agrees with the concerns that were expressed on commitments (3) and (4) and is not proposing that they be required, because of its view that the focus of the ASAF will be on discussing major technical issues related to the IASB's standard-setting activities, rather than the application and endorsement/adoption of Standards.

7.Question Two: Size and composition

2	The Foundation believes that, in order to be effective, the ASAF needs to be compact in size and composition as set out in paragraphs 6.7–6.13? Do you agree? Why or why not?
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7.1 Question 2 of the ITC sought comments on the proposal that the ASAF should comprise 12 members (plus the IASB in the Chair) with a geographical balance as follows:

- Africa - 1 seat
- Americas - 3 seats
- Asia-Oceania - 3 seats
- Europe (including non-EU) - 3 seats
- World at large - 2 seats.

Proposed size:

- 7.2 A number of respondents, including the ASBJ, the AcSB and the European Commission (EC) supported the proposed composition⁹⁷ and would not recommend increasing the size.⁹⁸ However, some did say that flexibility should be retained to review it as appropriate.⁹⁹ One respondent suggested that the ‘World at Large’ contingent should be reworded to a minimum of two but not more than four (at the discretion of IASB)¹⁰⁰ or be kept under review in the initial two-year period.¹⁰¹ One respondent, while agreeing with the principle of balance, did not think that it should be an absolute number or strict geographical distribution, and instead should be constituted for the objective envisioned, to ensure quality and diversity of technical input.¹⁰² Another respondent agreed that composition should be based on the best forum in terms of range of experience.¹⁰³
- 7.3 Others believed that 12 was too low or there should be flexibility for an additional couple of seats.¹⁰⁴ One respondent commented that there was no sound rationale for determining the size of the Forum. They acknowledged the point about the voting function of the Board but said that there should be at least 16 members if the Forum was formed.¹⁰⁵ Another said that limiting the Forum to 12 had the potential to leave out significant standard-setters, thus necessitating ongoing bilateral relationships and defeating the ASAF’s purpose.¹⁰⁶ As noted above, one of the respondents submitted an alternative proposal for a network of NSS constituted as a Council/ Board of accounting standard-setters.¹⁰⁷ Another¹⁰⁸ suggested an option whereby the size of the ASAF was the same as that of the Trustees (ie 22 members).

Geographical representation relative to seats occupied by IFRS users:

- 7.4 A number of the respondents proposing an increased number of seats advocated additional seats for a particular region. One respondent suggested that four of the sixteen seats should be allocated to the Americas. However, most prominent among the responses were those advocating additional seats for Europe,¹⁰⁹ with some arguing that in terms of the world’s market

97 SAICA (CL2), SAFRSC (CL3), AusFRC (CL4), DASC (CL8), Denise Juvenal (CL12), ICPAK (CL23), ASBJ (CL22), AsCB (CL31), ICAA (CL36), NOFA (CL37), EC (CL61)

98 SAICA (CL2), SAFRSC (CL3)

99 HKICPA (CL5), IMA (CL9), DSAK (CL25), SingASC (CL26)

100 HKICPA (CL5)

101 Unilever (CL6)

102 Deloitte (CL21)

103 IOSCO (CL41)

104 GBIC (CL10), RVDJ (CL27), ACCA (CL33), IOSCO (CL41), CASC proposed increasing to no more than 16 (CL43), CINIF proposed 16 (CL45), ICAC (CL48), FEE (CL53), BDO said membership of 20 would still be effective (CL54), BDO (CL55), FRC, ANC, ASCG, OIC suggested 16 or a G20 style composition would be workable (CL56)

105 CPC (CL30)

106 FRC, ANC, ASCG, OIC (CL56)

107 ANC proposed the network of ‘manageable size’. The NSS involved, most on a permanent basis and including the four larger European NSS, would probably form a first group ‘even less numerous than, for example, the countries in the G20’ (ANC)

108 Avante (CL62)

capitalisation a considerable share of IFRS preparers are from the region and it can therefore supply a significant technical input. Another respondent, while understanding the purpose of the proposed geographical balance to gain a variety of perspectives, commented that it leads to a representation that does not reflect the regional balance in terms of economic weight of companies using IFRS. They considered this to be problematic if the IASB or Foundation considers the output of the Forum as views expressed by some kind of majority of standard-setters.¹¹⁰ One respondent strongly advocated a larger size and emphasised a risk that political factors would mean that early IFRS supporters were excluded,¹¹¹ while another respondent said there was a risk that only a few countries that have actually adopted IFRS would be part of ASAF and the rationale for this was not explained in the proposal.¹¹² One respondent supported the geographical balance but advocated a larger membership initially with a preponderance for key NSS.¹¹³

World at Large seats:

- 7.5 One respondent felt that the geographical distribution was fair but did advocate a 'World at Large' seat to be allocated to AOSSG in recognition of the size and diversity of the region.¹¹⁴ Another respondent felt that the 'World at Large' seat provided an opportunity to gain input from a smaller NSS from an internationally relevant capital market that does not currently have representation on the IASB. One respondent proposed that the 'World at Large' seats should be used for countries that do not fit neatly into a geographical region, such as Russia or Turkey.¹¹⁵ Within the same context, it was requested that the membership eligibility for Russia should be clarified since the Russian Federation sits in both Asia and Europe¹¹⁶ and another respondent requested clarification of the criteria for assignment to a 'World at Large' seat.¹¹⁷ Two respondents mentioned that there was no specific seat for emerging economies and suggested that the Foundation should consider this.¹¹⁸

109 GBIC proposed 6 seats in total for Europe (CL10), FBF (CL18), IE (CL20), GDV proposed increase in total seats to 16-20 (CL40), Mazara commented that 3 seats for the Americas and 3 seats for Europe was not balanced and suggested increasing membership to 15 with the additional seats for Europe (CL47), EFRAG supported principle of limiting size but suggested diversity and significance of EU justified at least three seats for the EU (CL57), EBF (CL55), FRC, ANC, ASCG, OIC (CL56)

110 France Telecom (CL1), EXRB (CL7)

111 Nelson Carvalho (CL24)

112 RVDJ (CL27)

113 ICAEW (CL51)

114 DSAK (CL25)

115 ACCA (CL33)

116 NOFA (CL37)

117 CASC (CL43)

118 IOSCO (CL41), CASC (CL43)

The IFRS Foundation response

- 7.8 The IFRS Foundation notes the comments that were made about the size of the Forum and the views that it should be the same as that of the IASB. However, in the view of the Foundation, there is a different nature to the ASAF and the IASB, which dictates a different outcome. As emphasised in the ITC, because the ASAF members will each be providing input from their region, it is essential that every member has the opportunity to provide effective and representative technical advice to the IASB. It is expected that the ability for all to have their voice heard will be reduced if the membership rises above 12. While it is true that the IASB contains 16 members, most members express their opinion by vote, and the structure represents the need for balance in the voting result (hence some countries and regions are represented by more than 1 member). In contrast, the Forum members will not be voting on any issues and therefore the primary consideration for size has been to ensure that all regional contributions will be heard and given due attention. If too many people participate, there is a risk that the intended function of the Forum will be lost. For these reasons, the IFRS Foundation is proposing to keep the membership of ASAF to 12, but will retain a degree of flexibility on this issue in the appointments process. It is also the case, as was made clear in the ITC, that the IASB may invite a particular NSS or regional body to participate according to the IASB's specific agenda priorities at any point in time.
- 7.9 The IFRS Foundation proposes that the geographical representation should be as set out in the ITC, with the two 'at large' seats being available to provide a degree of flexibility in the selection of members, subject to maintaining an overall geographical balance.
- 7.10 Both the size and composition will be re-examined as part of the two-year review of the ASAF.

8. Membership issues

Member selection:

- 8.1 A number of respondents commented that it is not clear who appoints or approves the individuals, noting that it is a critical point that will determine the success of the ASAF.¹¹⁹ One respondent said they understood selection would be by invitation, commenting that the criteria mentioned in the proposal favoured larger standard-setters/ organisations and questioning how the IASB will ensure those not invited will still be engaged.¹²⁰
- 8.2 Opinion was split on whether regional standard-setters should be given the flexibility to organise themselves to select or nominate participating members in accordance with their own governance¹²¹ or whether the IASB should be involved in the process.¹²² The EC stated that it should determine the European delegation to propose to the IASB.¹²³

119 SAICA (CL2), SAFRSC (CL3), EXRB (CL7), ACTEO, AFEP, MEDEF (CL34), BE (CL41), Mazars (CL47), PASC (CL50), KPMG (CL52), FRC, ANC, ASCG, OIC (CL56)

120 RVDJ (CL27)

121 Orange Telecom (CL1), HKICPA (CL5), IE (CL20), RVDJ (CL27), ACTEO, AFEP, MEDEF (CL34), KPMG (CL52)

Membership eligibility:

8.3 A number of respondents raised areas that required clarification in terms of eligibility:

- The type and nature of eligible regional body should be clarified because they vary in nature¹²⁴
- Would (or how will) adoption or acceptance of IFRS (or commitments to the adoption of IFRS) be taken into account in determining membership of ASAF?¹²⁵
- Would large economic areas that have not adopted IFRS (and currently have no firm plans to move to IFRS) be granted membership?¹²⁶
- Is ASAF membership aimed at regional bodies or NSS bodies or at NSS representing a particular regional body?¹²⁷
- Would membership by a group representing an entire economic area (eg EFRAG) affect whether individual NSS represented by that supranational group can also be given seats on ASAF? This will also involve clarifying when a supranational group would be considered to represent NSS.¹²⁸
- Can standard-setters with which the IASB has an MoU also be members of the ASAF?¹²⁹
- Does membership of other IASB and Foundation bodies, for example the Advisory Council, preclude membership of the ASAF?¹³⁰

Involvement of IFRS users relative to non-IFRS users:

8.4 Certain respondents emphasised the importance of involving established and respected standard-setters such as ASBJ and FASB¹³¹ and one respondent said that, for Standards to be truly global, membership should be based on global capital market share. The respondent proposed that, if the desire for broader representation becomes an obstacle to achieving objectives, separate groups for major and developing markets should be established.¹³²

122 SAICA and SAFRSC proposed that the IASB agrees with regional bodies who will represent them and then those bodies together with other bodies the Foundation would like to appoint that are not part of regional bodies nominate one or more persons who are suitable for appointment to the ASAF. The Foundation could then decide who to appoint and in the case of receiving only nominations, the technical expertise of the nominee should be considered (CL2, CL3). Deloitte proposed that IASB appoint after consultation with Foundation Trustees and the DPOC in particular (CL21), Mazars believe choice should be made by IASB with regional bodies, ASEAN, EEA, ALEANA etc (CL47). One respondent commented that the EC or any other European institution should be involved in determining who is represented. EFRAG (CL57)

123 EC (CL61)

124 XRB (CL7)

125 E&Y (CL11)

126 E&Y (CL11)

127 E&Y (CL11)

128 E&Y (CL11)

129 G100 (CL46)

130 E&Y (CL11), IOSCO (CL41)

131 DASC (CL8), IIF (CL13), Deloitte (CL21), FAF (CL60)

132 FEI (CL32)

- 8.5 Some respondents discussed the issue of whether non-IFRS adopters could be ASAF members. One respondent said that if the objective is to share technical issues, foster strategic discussions and facilitate smooth adoption of IFRS, preference should be given to standard-setters from IFRS-adopting countries.¹³³ Other respondents said that membership should be allowed for non-IFRS users but limited to allow IFRS jurisdictions a greater opportunity to participate directly in the ASAF.¹³⁴ One respondent felt that use of IFRS should be a compulsory criterion for membership, because those jurisdictions are in the best position to provide feedback on operational experience of IFRS application,¹³⁵ while another respondent said that membership should be drawn heavily from stakeholders in the world's largest capital markets.¹³⁶
- 8.6 Other respondents emphasised the importance of ensuring that the majority of appointed members represent jurisdictions using or committed to using IFRS in their domestic markets.¹³⁷ Another respondent was more specific in stating that the proposed size and allocation of places does not reflect the most important element of success, which is to give priority to jurisdictions that have adopted or are committed to adoption of IFRS. They advocated either creating two forums, one for current users and one for future adopters, or to increase the relative proportion of IFRS users, either by redistributing among the proposed 12 seats or by increasing the size to 15 or 16.¹³⁸

Membership criteria:

- 8.7 In addition to clarification on eligibility the point was raised that there was a lack of clarity in the proposal around membership criteria.¹³⁹ Although some respondents specifically made reference in support of the factors set out in paragraph 6.11 of the ITC for selecting and reviewing membership.¹⁴⁰ One respondent highlighted that giving transparency to these factors will help the IASB to discharge its responsibility to be accountable for selection in an objective and fair manner,¹⁴¹ while another said that clear, robust, transparent criteria for appointment of members was necessary to give strong legitimacy.¹⁴² Respondents addressed the issue of membership criteria both by raising general principles that they felt should underpin the criteria, as well as by proposing specific criteria for consideration.

133 FRC, ANC, ASCG, OIC (CL56)

134 XRB (CL7), Deloitte (CL21), Mazars (CL47)

135 FBF (CL18)

136 FEI (CL32)

137 DASC (CL8), KASB (CL15), FBF (CL18), IE (CL20), Deloitte (CL21), Mazars (CL47), ICAC (CL48), FRC, ANC, ASCG, OIC (CL56)

138 ACTEO, AFEP, MEDEF (CL34)

139 KASB (CL15)

140 AOSSG (CL17), ASBJ (CL22)

141 ASBJ (CL22)

142 GDV (CL40)

8.8 Respondents highlighted the need for membership to be closely aligned to the technical function of the ASAF to ensure that membership does not become a bargaining chip to encourage IFRS adoption¹⁴³ or is seen to give certain groups special access.¹⁴⁴ It was also noted that there could be tension between technical expertise and geographical region, commenting that the aim is for technical discussions but geographical location seems to be a key consideration for membership.¹⁴⁵ One respondent said that the criteria should enable equal opportunities for participation of member countries with different legal environments.¹⁴⁶

8.9 A number of respondents proposed particular criteria that they felt the members should fulfil:

- Active contribution to the discussion of the current and future technical issues¹⁴⁷
- Technical capacity and resources to participate fully in the discussions and have the capacity to undertake research¹⁴⁸
- Contribution to the IASB's standard-setting process¹⁴⁹
- Uniqueness of situation and experience¹⁵⁰
- Good knowledge of their jurisdictions/ regions and of the concerns of each of the region's NSS¹⁵¹
- Important and accepted transparent players in their region¹⁵²
- Representative of as many NSS as possible with a well-functioning multi-level consultation system¹⁵³
- Represent regional groups where appropriate and explicitly liaise and consult with jurisdictions in their region¹⁵⁴
- Maturity and degree of transparency in capital markets¹⁵⁵
- Have significant impact on financial reporting to investors¹⁵⁶.

143 AASB (CL14)

144 E&Y (CL11)

145 ICAEW (CL51)

146 KASB (CL15)

147 AusFRC (CL4)

148 Deloitte (CL21), IOSCO (CL41), G100 (CL46)

149 IOSCO (CL41)

150 IOSCO (CL41)

151 AOSSG (CL17)

152 DASC (CL8)

153 PASC (CL50)

154 XRB (CL7)

155 JICPA (CL19)

156 FEI (CL32)

Organisational and technical basis of membership:

- 8.10 With reference to paragraph 6.14 of the ITC, a number of respondents supported the proposal that organisations should occupy the seats, represented by a senior individual.¹⁵⁷ However, one respondent highlighted some confusion between paragraph 6.14 and paragraph 6.8 which indicated that membership would be derived from regions.¹⁵⁸ There was also significant support for the proposal that flexibility will be retained to allow representation by another member of the organisation, where they possess specialist expertise.¹⁵⁹ However, the risk to continuity on interrelated topics was raised and one solution was proposed for regions to identify a financial instruments-focused individual who would take the place of the generalist for the relevant portions of the agenda.¹⁶⁰ One respondent noted that in paragraph 6.12 it states that the IASB has the possibility of inviting a particular NSS or regional body to participate according to the IASB's specific agenda at any point in time, but it is not clear if this means the invited participant becomes a full member of ASAF.¹⁶¹

Regional bodies as representative members:

- 8.11 There was a mixture of opinion on the suitability of regional bodies as representatives. Four respondents questioned whether regional organisations properly represented NSS. Concerns raised included that they encompassed too diverse a range of jurisdictions, were not properly set up to have a representative function or that they were not suitable because they did not set standards and fulfilled different roles.¹⁶² One respondent would only support involvement of a regional body when empowered to do so by all NSS involved,¹⁶³ while another respondent commented that, while regional bodies may develop, they cannot displace major NSS as key partners and there should initially be a preponderance of these key NSS over regional bodies.¹⁶⁴
- 8.12 However, there were respondents that supported the role of regional bodies as proposed by the ITC.¹⁶⁵ One respondent said members should represent regional groups where appropriate and be expected explicitly to liaise and consult with jurisdictions in their region,¹⁶⁶ while another respondent said that seats should be allocated to regions and the composition of seats in regions should be the responsibility of the region.¹⁶⁷ One respondent proposed that one of the seats should be allocated to IPSASB as the setter of public sector accounting standards.¹⁶⁸

157 GBIC (CL10), Deloitte (CL21), NASB (CL35), ICAC (CL48), ICAEW (CL51), FEE (CL53)

158 ICPAK (CL23)

159 HKICPA (CL5), IE (CL20), Deloitte (CL21), ICPAK (CL23), GDV (CL40), EFRAG (CL57)

160 HKICPA (CL5)

161 IOSCO (CL41)

162 ACCA (CL33), ICAC (CL48), ICAEW (CL51), FRC, ANC, ASCG, OIC (CL56)

163 FRC, ANC, ASCG, OIC (CL56)

164 ICAEW (CL51)

165 XRB (CL7), KPMG (CL52), EFRAG (CL57)

166 XRB (CL7)

167 EFRAG (CL57)

- 8.13 A number of respondents supported EFRAG in representing Europe¹⁶⁹ or proposed that it should hold a seat as another regional body.¹⁷⁰ One commented that EFRAG is best placed to ensure the views of small, as well as large, standard-setters are considered,¹⁷¹ while another said there could be a case for consulting the EC upon the involvement of smaller member states.¹⁷² EFRAG highlighted that the European Union (EU) should be fully represented on the forum and that EFRAG was ready, capable and able to participate.¹⁷³ Nonetheless, there were also respondents who opposed EFRAG as a representative. One respondent cited EFRAG as an example of where regional bodies are not representative, arguing that EFRAG is not representative of European standard-setters, nor is it the definitive voice of Europe.¹⁷⁴ In its response to the ITC, the EC commented that, because of its legal position as the official standard-setter for the EU, it would be best placed to determine the composition of the EU's delegation to the ASAF. The Commission emphasised that they would do this in a way that allowed satisfactory participation of the EC, EFRAG and all EU NSS and ensure a proper level of EU representativeness.¹⁷⁵

Membership terms and review:

- 8.14 Respondents that commented on this issue supported the review of membership,¹⁷⁶ while it was also suggested that this should include consideration of members' performance,¹⁷⁷ including whether they are effective in bringing forward issues from their region, not just their own jurisdictions.¹⁷⁸
- 8.15 Some respondents supported the proposal for a two year review¹⁷⁹ but others suggested it might be too short,¹⁸⁰ with one respondent suggesting that three years, in line with IASB agenda-setting, may be preferable in order to avoid undermining stability and technical expertise.¹⁸¹

168 XRB (CL7)

169 DASC (CL8), RFR (CL39)

170 GDV (CL40)

171 PASC (CL50)

172 EBF (CL55)

173 EFRAG (CL57)

174 ACCA (CL33)

175 EC (CL61)

176 KASB (CL15), BE (CL44), ICAEW (CL51)

177 XRB (CL7), KPMG (CL52)

178 XRB (CL7)

179 Deloitte (CL21), ASBJ (CL22), ICPAK (CL23), BE (CL44), ICAEW (CL51)

180 AOSSG (CL17), JICPA (CL19), NASB proposed three years (CL35), CINIF proposed three years to enable participants to fully understand some topics (CL45)

181 KASB (CL15)

- 8.16 It was also noted that the proposal was for members to serve for two years and it was highlighted that this point should be clarified.¹⁸² Another respondent highlighted that it does not say whether terms are renewable,¹⁸³ while it was also raised that there should be a limit on membership terms and staggered membership replacement should be instituted in order to provide stability.¹⁸⁴
- 8.17 Furthermore, one respondent advised against permanent and non-permanent members because technical expertise of permanent members would become relatively more enhanced than that of non-permanent members and ASAF may end up being controlled by a few key members.¹⁸⁵

The IFRS Foundation response

- 8.18 The IFRS Foundation has determined that the selection of organisations to participate in ASAF will be made by the Trustees. The selection will be made after the proposed candidates for membership have been considered by the IASB and in consultation and liaison with relevant regional bodies, including AOSSG, GLASS, PAFA and, for Europe, the European Commission. The selection of the designated individuals will be for the organisations themselves to determine, on the clear understanding that such individuals will have the necessary technical expertise, experience and practical knowledge of accounting issues to enable them to contribute meaningfully to technical discussions and provide reliable and relevant advice to the IASB. This process for selection is set out in the Call for Candidates and the proposed Terms of Reference.
- 8.19 Similarly, both documents specify both the membership criteria required and the other factors that the IFRS Foundation will take into account in selecting the membership of the ASAF, including membership of regional bodies. While the use of IFRSs is an important factor for membership, it is not the only one, in common with comments made by a number of respondents.
- 8.20 The IFRS Foundation proposes to examine issues relating to the membership term, the number of terms a member might serve, and any consideration of staggering replacement dates to achieve an appropriate stability in membership, as part of the evaluation of the two-year trial period for the ASAF proposed in the ITC.

9. Maintaining relationships outside of the ASAF

Maintaining engagement with non-ASAF members:

- 9.1 Some respondents emphasised that wherever the line was drawn in ASAF membership, there would be those disappointed not to be members and therefore it was important to alleviate concerns by emphasising continued engagement with other standard-setters,¹⁸⁶ clarifying how those who do not have initial membership can continue to provide views on major technical

182 HKICPA (CL5).

183 IOSCO (CL41)

184 XRB (CL7), E&Y (CL11)

185 KASB (CL15)

186 XRB (CL7)

issues, clearly explaining membership criteria and which body will be responsible for membership.¹⁸⁷ The suggestion of observer status for members of regional groups and NSS or interested industry associations that are not appointed as ASAF members was also proposed by some respondents.¹⁸⁸

- 9.2 A number of respondents highlighted the importance of ensuring ASAF does not replace the IASB's existing due process and outreach with NSSs and other global constituents, as also recognised by paragraph 4.7 of the ITC.¹⁸⁹ One respondent specifically expressed concerns about the 'retrenchment' in the relationship with other standard-setters as a result of the establishment of the ASAF.¹⁹⁰
- 9.3 Furthermore some respondents highlighted the need for the proposals to clarify how those NSS not included in ASAF membership, as well as other stakeholders such as industry associations, can continue to contribute to IASB's technical activities.¹⁹¹ One respondent proposed observer status for interested industry associations, thus creating a high level of transparency.¹⁹² Another respondent proposed recurring regional meetings organised by IASB and EFRAG,¹⁹³ while one response highlighted the importance of transparency, public meetings and advance agendas.¹⁹⁴
- 9.4 One respondent, while highlighting support for the Forum, commented that progress had been made through bilateral relationships and recommended that steps should be taken to ensure ASAF did not add another layer of complexity.¹⁹⁵

Consultation process between ASAF members and NSS regions:

- 9.5 A number of respondents highlighted the necessity to set up additional consultations between ASAF members and all NSS of regions represented by them.¹⁹⁶ The point was raised that it was not clear how IASB can make use of the views presented by ASAF because members must take into account their own due process and asked how these discussions could add to what is in the comment letters.¹⁹⁷ One respondent commented that, with reference to paragraph 6.14 of the ITC, positions taken by ASAF should be subject to thoughtful development through an appropriate process at each representative organisation. They commented that while the IASB may feel it is up to representative bodies to determine how their input to ASAF is developed, if

187 PwC (CL38)

188 AOSSG (CL17), GDV (CL40)

189 XRB (CL7), IIF (CL13), AASB (CL14), AOSSG (CL17), IE (CL20), AcSB (CL31), ACTEO, AFEP, MEDEF (CL34), PwC (CL38), RFR (CL39), GDV emphasised regular exchange with industry associations (CL40), ICAC (CL48), FEE (CL53), EBF (CL54), EFRAG (CL57)

190 RVDJ (CL27)

191 PwC (CL38), GDV (CL40), IOSCO (CL41).

192 GDV (CL40)

193 BE (CL44)

194 ICAEW (CL51)

195 JICPA (CL19)

196 XRB (CL7), NASB (CL35), NOFA (CL37), BE (CL44)

197 BE (CL44)

this is the case, the process will vary and will be viewed as serving a political purpose. They proposed that it might not be necessary to specify the exact process but the IASB should consider a paper to prompt discussion on broad issues to assure a reasonable level of quality and consistency.¹⁹⁸ Other respondents supported this, highlighting the importance of ensuring that collective, and not personal views, are expressed.¹⁹⁹ One respondent proposed that the Foundation Trustees should ensure the designated representatives have a proper consultation in place to reflect the different views in their jurisdiction.²⁰⁰

Rationalisation of engagement:

- 9.6 Opportunities for rationalisation of some relationships were discussed in some responses. One respondent said ASAF could provide the opportunity to rationalise the number and types of forums in which the IASB engages, for example the IFASS and WSS Forum,²⁰¹ while another said that, while ASAF offers some scope for rationalisation, this is likely to be limited and the real payoffs will be greater effectiveness and timeliness of engagement.²⁰² One respondent said that the overlap of Foundation bodies should be reviewed and, after due public consultation, any avoidable duplication should be eliminated²⁰³ and another noted that there were obvious improvements to efficiencies that could be made but that this was not addressed in the proposal.²⁰⁴

The IFRS Foundation response

- 9.7 The IFRS Foundation agrees with the comments made that highlighted the importance of ensuring that NSS who were not members of ASAF do not feel disenfranchised and that there are still mechanisms for their voices to be heard²⁰⁵. The ASAF should, therefore, be viewed as a complement, not a total replacement for, the other opportunities for the IASB's engagement with NSS and regional bodies. The ITC noted (in paragraph 3.5) that NSS and regional bodies will continue to work with the IASB on research, implementation challenges, outreach activities, field testing and post-implementation reviews. The IASB will continue to host its annual World Standard-Setters (WSS) conference, bringing together the wider standard-setting community. The ITC also noted that ASAF could be complementary to the International Forum of Accounting Standard-Setters (IFASS) and there is an issue of how IFASS might be able to support ASAF members to be more representative.

198 IMA (CL9)

199 FEI (CL32), BE (CL44)

200 IOSCO (CL41)

201 AusFRC (CL4)

202 AASB (CL14), AOSSG (CL17)

203 ICAEW (CL51)

204 FRC, ANC, ASCG, OIC (CL56)

205 For example, PwC (CL38).

9.8 Paragraph 6.31 of the ITC also noted that ASAF representatives will need to ensure that they consult others within their region, and this will be a task for the regional bodies (and for the European Commission in the EU) to consider how best to achieve this. The IFRS Foundation does not, however, believe that it is either necessary or appropriate to seek to standardise the process of how ASAF members develop their positions as ASAF members.

9.9 The IFRS Foundation believes that the proposal to hold ASAF meetings in public, with papers made available on the website well in advance, will assist in this regard.

Formalising relationships with other stakeholders:

9.10 Some respondents raised the importance of formalising relationships with other stakeholders in addition to NSS.²⁰⁶ For example one respondent queried why the Forum is restricted to standard-setters and highlighted the importance for the Foundation and IASB of engaging with small and mid-size quoted companies that use IFRS and their investors around the development and implementation of standards. Because these account for 85 per cent of all quoted companies in the UK it was asked that the Foundation should consider direct representation for this group on ASAF or clarify how it plans to ensure it engages with this important sector.²⁰⁷ Other respondents proposed the establishment of a public forum for the audit profession,²⁰⁸ a joint advisory forum for auditors and enforcement agencies,²⁰⁹ the audit profession and regulators,²¹⁰ and a forum for the accounting profession.²¹¹ Another respondent requested that the future role of the technical working groups, such as the insurance working group and the financial working group, should be confirmed as important ones.²¹²

The IFRS Foundation response

9.11 The ASAF is designed to be a forum for the IASB's collective engagement with one group of stakeholders, namely NSS and regional bodies associated with accounting standard-setting. The IASB already has consultative groups with a number of other stakeholders, such as the Global Preparers Forum and the Capital Markets Advisory Committee. The IFRS Foundation will consider the suggestions for formalising relationships with other stakeholders going forward, taking the advice of the IASB's Stakeholder Engagement Committee.

10. Implications for the IFRS Foundation's structure

10.1 A number of respondents highlighted the importance of clarifying and clearly communicating how the remit of ASAF is distinguished from the remit of existing advisory IASB committees and other groups such as IFASS and WSS.²¹³ One respondent proposed that information on whether these groups signed MoUs, their geographical composition, objectives, and achievements from

206 SAICA (CL2)

207 QCA (CL28)

208 Deloitte (CL21)

209 IDW (CL42)

210 FEE (CL53)

211 ACCA (CL33), KPMG (CL52)

212 GDV (CL40)

interaction with IASB could help provide information on the similarities, differences and the liaison efforts to which the Foundation is committed.²¹⁴ Another respondent highlighted the importance of continuing wide consultation with groups such as CMAC, the Advisory Council and the GPF.²¹⁵

- 10.2 In particular respondents said it was important to consider duplication between the Advisory Council and ASAF, and clearly articulate differences between the two.²¹⁶ Some respondents expressed an understanding that the Advisory Council was strategic, while the ASAF would be technical, in function.²¹⁷ However, one response noted that this distinction can be difficult to maintain.²¹⁸ One respondent said it was important to clarify, before the ASAF is initiated, whether there were to be any structural changes to the Advisory Council²¹⁹ and another suggested that the Advisory Council's ToR should be revisited.²²⁰ It was also suggested that, after the ASAF is initiated, there would not appear to be any clear reason for selected NSS to continue Advisory Council membership.²²¹
- 10.3 One respondent²²² saw a potential conflict between the intended objectives of the ASAF and the Advisory Council, noting that part of the Council's current primary objective is to provide advice to the IASB on projects, with particular emphasis on practical application and implementation issues, and a secondary objective is to support the IASB in the promotion and adoption of IFRSs throughout the world.
- 10.4 The ITC proposed (in paragraph 6.6) that the ASAF should not be enshrined in the IFRS Foundation Constitution at this stage, but that this issue should be revisited as part of a review of the ASAF after a two-year trial period. One respondent agreed with the proposal that ASAF should not be a Constitutional body,²²³ while another response suggested that this status is reviewed after the successful conclusion of the two year trial period.²²⁴ Conversely, one response said that because the Advisory Council is recognised in the constitution, and since the IASB Chairman has emphasised the importance of ASAF, further consideration should be given to its formalisation.²²⁵

213 E&Y (CL11), Deloitte proposed review of GPF and CMAC (CL21), SingASC proposed review of EEG (CL26), RVDJ (CL27), IOSCO (CL41), IDW (CL42), CASC (CL43), BE (CL44), CINIF (CL45), EFRAG (CL57), with two respondents supporting ASAF's complementary role to IFASS. GBIC proposed that the valuable contributions of IFASS should be mentioned in the document (CL10), EFRAG (CL57)

214 IOSCO (CL41)

215 FEE (CL53)

216 ACCA (CL33), GDV (CL40), FEE (CL53)

217 ACCA (CL33), EFRAG (CL57)

218 ACCA (CL33)

219 CPC (CL30)

220 FEE (CL53)

221 AASB (CL14), AOSSG (CL17)

222 CPC (CL30)

223 Deloitte (CL21)

224 EFRAG (CL57)

225 PwC (CL38)

The IFRS Foundation response

- 10.5 The IFRS Foundation acknowledges the comments made about the implications of the ASAF and proposes to assess and address them in the light of experience once the ASAF has been established.
- 10.6 The IFRS Foundation does not see a potential conflict between the ASAF and the Advisory Council. Both the Advisory Council and the ASAF are/will be advisory bodies providing advice from the perspectives of their respective memberships, which from the Advisory Council will be more strategic, from the ASAF more technical. With the clarification of the roles of ASAF proposed in this paper, and particularly in view of the focus on standard-setting (rather than implementation and consistent application) the differences between the two are clearer.
- 10.7. The IFRS Foundation plans to review in the future the membership of the Advisory Council and the Constitutional status of the ASAF as part of the two-year evaluation.

11. Proposed model of operation:

Chairmanship of ASAF:

- 11.1 There was a mixture of responses for and against the IASB Chair acting as ASAF Chair. Of the responses that expressed a definite view on this element of the proposal, six explicitly supported it.²²⁶ A further respondent supported the proposal but also said they would support an independent Chair,²²⁷ while another supported it but suggested a review in two years.²²⁸ One respondent asserted that it was important for the Chair to be accountable to the IFRS Foundation. They acknowledged that the ASAF could have an independent Chair but did not feel that any other ASAF member would qualify for the role.²²⁹
- 11.2 Nine respondents did not support the proposal.²³⁰ Some felt that it was not appropriate for a forum that is providing advice to the IASB to also be chaired by the IASB,²³¹ while one respondent said it risked the perception that it is a shadow Board.²³² Alternative proposals included a joint ASAF-IASB co-chairmanship chosen by the Trustees,²³³ an ASAF member as Chair, perhaps on a rotational basis selected by the Forum members, or a completely independent Chair.²³⁴

226 AASB (CL14), AOSSG (CL17), ICAEW (CL51) FEE (CL53), EFRAG (CL57)

227 DASC (CL8)

228 FEE (CL53)

229 EFRAG (CL57)

230 Deloitte (CL21), Nelson Carvalho (CL24), RVDJ (CL27), CPC (CL30), PwC (CL38), GDV (CL40), IOSCO (CL41), BDO (CL54), FRC, ANC, ASCG, OIC (CL56)

231 CPC (CL30), PwC (CL38), BDO (CL54)

232 IOSCO (CL41)

233 Deloitte (CL21)

234 RVDJ (CL27), NASB (CL35), PwC (CL38), IOSCO (CL41)

The IFRS Foundation response

- 11.3 Many respondents stressed the importance of the ASAF being an advisory body only and that it should not be perceived as being a parallel or shadow Board. In the Foundation's view, the appointment of an independent chair could strengthen that concern. Because the ASAF is so closely related to the IASB's technical standard-setting work, it is distinct from the Advisory Council, in which the appointment of an outsider is less of a concern within the context of concerns about a 'shadow board'.
- 11.4 One respondent²³⁵ sees the participation of the IASB Chair, Vice-Chair and Board members as necessary to ensure that ASAF becomes a strong technical discussion forum with direct interaction between the members and the Board. The fact that it is proposed that the Chair or Vice-Chair of the IASB will chair ASAF meetings is seen as a demonstration of the importance the Foundation attaches to ASAF. The IASB's active chairmanship of ASAF will ensure that its advice is appropriately regarded and reflected. The IFRS Foundation is keen to stress that appointing the IASB Chair as Chair of ASAF is not motivated by the aim of controlling the views of the members or dictating their advice to the IASB. The discussion is expected to focus on seeking the views of the members on major technical issues, discussing them in detail in a co-ordinated manner with the aim of obtaining a clear understanding of what diversity exists and the reasons for it. The issue of who chairs ASAF will be reassessed as part of the two-year review.

Participation by IASB members:

- 11.5 All respondents who commented on this issue encouraged attendance of IASB members and staff to one degree or another. It was highlighted that the attendance of the Chair and Vice-Chair at every meeting was very important,²³⁶ while four respondents supported the attendance of Board members, other than the Chair or Vice-Chair, if projects were tabled that were within their remit.²³⁷ It was also suggested that other members should be encouraged to attend as observers.²³⁸ Another response said that all IASB members should attend all, not just relevant, agenda items and argued that their attendance would not stifle ASAF member input.²³⁹ One response commented that IASB attendance, as outlined in the proposal, could be expanded because the Forum is a 'major interlocutor',²⁴⁰ and others emphasised that regular attendance by IASB members and staff was essential to encourage a free exchange of views at a technical level²⁴¹ and should not be restricted.²⁴² One respondent proposed that a 'critical mass' of IASB members should participate.²⁴³

235 EFRAG (CL57)

236 CINIF (CL45)

237 RVDJ (CL27), AcSB (CL31), AcSOC (CL49), EFRAG (CL57)

238 AcSB (CL31), AcSOC (CL49)

239 IMA (CL9).

240 IIF (CL13)

241 IE (CL20), GDV (CL40), ICAEW (CL51)

242 Deloitte (CL21)

243 FAF (CL60)

The IFRS Foundation response

- 11.6 The proposed Terms of Reference for ASAF specify that IASB members may attend ASAF meetings.

Agenda-setting:

- 11.7 It was noted by a number of respondents that the current proposal was not clear on how the agendas would be set.²⁴⁴ A number of letters commented that participants should be involved in agenda-setting and paper preparation and highlighted the need for agendas to be known well in advance to allow appropriate consultation.²⁴⁵ However, one respondent commented that the IASB should set the agenda to serve the standard-setting needs.²⁴⁶ One response also highlighted the need for the agenda to avoid the appearance of undue influence. For example the papers should avoid mirroring too closely the papers to be discussed at subsequent IASB meetings because it could be viewed as predetermining IASB discussions.²⁴⁷ The respondent also recommended that care should be taken when technical projects are assigned to one member to avoid potential undue influence or conflict of interest.

The IFRS Foundation response

- 11.8 The IFRS Foundation's view is that the agenda should be developed in collaboration, but with the final discretion resting with the Chair, in particular where there are too many items proposed for a meeting to allow for the necessary level of in-depth debate. The proposed Terms of Reference reflect this view.

Transparency of meetings and consideration of discussions:

- 11.9 Some respondents commented on the relationship between IASB and ASAF due process. One respondent said that, as in previous consultations, it is important to promote a shared due process between the IASB, NSS and regional bodies.²⁴⁸ Another respondent said that it was important to clearly articulate the interaction between ASAF and IASB's due process. The respondent recommended that analyses reached by ASAF regarding IASB due processes should be reported to the Board and that the Board should publicly explain how it took these analyses into consideration and why.²⁴⁹ Another respondent agreed that, while paragraph 6.21 of the ITC outlines how ASAF members provide quality input, there is a need to clarify how the IASB provides feedback on consideration of ASAF views.²⁵⁰ This position was also supported by another respondent that said there should be an effective feedback mechanism established

244 RVDJ (CL27), FRC, ANC, ASCG, OIC (CL56), EFRAG (CL57)

245 DASC (CL8), IMA (CL9), Deloitte (CL21), ASBJ (CL22), RVDJ (CL27), AcSB (CL31), AcSOC (CL49), EFRAG (CL57)

246 IOSCO (CL41)

247 E&Y (CL11)

248 EFRAG (CL57)

249 Mazars (CL47)

250 ASBJ (CL22)

between IASB and ASAF with clear explanation of how suggestions are taken into consideration by IASB and reflection on how the input was taken forward or not.²⁵¹ It was further noted that the due process of the IASB must not be degraded by the development of ASAF and continues to have the widest consultation by the IASB before setting standards.²⁵²

- 11.10 One respondent commented that while it was important for the IASB to seek consensus, it is also important to accept that there are major divergences in views and this offers a standard-setting risk that must be addressed in Discussion Papers, Exposure Drafts and proposed Bases of Conclusions.²⁵³ Another response commented that while it is understood that the Forum will be advisory, it considered it very important that consensus will be reached and documented for all technical issues discussed.²⁵⁴
- 11.11 Some respondents, while supporting the proposals to post meeting summaries and hold the meeting in public with webcasts, believed that the proposed meeting summary was too limited and full meeting minutes should be available.²⁵⁵

The IFRS Foundation response

- 11.12 The IFRS Foundation agrees that the views and feedback from ASAF should be represented faithfully and fully to the IASB as part of its stakeholder outreach, and this commitment is set out in the proposed MOU at Appendix A, but that does not necessarily need to be in the form of detailed minutes.
- 11.13 A number of respondents²⁵⁶ emphasised the importance of the IASB providing feedback to ASAF members about how their views are considered in its standard-setting process. The IFRS Foundation does not believe that this is necessary, because IASB discussions will take place in public meetings, which it is assumed the ASAF members will be tracking, and that a summary of the outcome will be reported in *IASB Update*.

Demonstrating buy-in:

- 11.15 It was highlighted that demonstrating buy-in was important, not only for the IASB to proactively identify technical matters and related buy-in issues, but also for ASAF participants to provide evidence to their local constituents as to how they are directly engaged with the IASB in standard-setting projects.²⁵⁷

251 FEE (CL53)

252 ACCA (CL33)

253 HKICPA (CL5)

254 CINIF (CL45)

255 IIF (CL13), FEI (CL32), Mazars (CL47), FEE (CL53)

256 Including, for example, ASBJ (CL22).

257 HKICPA (CL5)

The IFRS Foundation response

- 11.16 The IFRS Foundation agrees that this is an important issue, as demonstrated by the importance that the IASB attaches to the establishment of the ASAF. The issues for ASAF participants are matters for the organisations themselves.

Meeting frequency and location:

- 11.17 While one respondent explicitly supported the proposed schedule,²⁵⁸ a number of respondents suggested that the proposed meeting length and frequency is too short or prescriptive to allow detailed discussions, considering the importance of the remit.²⁵⁹ One respondent suggested that more thought should be given to the objectives of the meeting, arguing that if the IASB wishes to work out technical details of major projects, more frequent and longer meetings will be necessary. Alternatively, if issues are to be dealt with at a high level the proposed schedule will be sufficient.²⁶⁰ A number of respondents suggested there should be flexibility and suggested minimum schedules.²⁶¹
- 11.18 Three respondents felt that the proposal to hold all meetings in London should be reconsidered because the possibility for efficiencies is offered by combining with other meetings.²⁶² It would address challenges that Forum members will face in finding the resources and time to travel to London, and IASB would benefit from being seen to listen to the advice of Forum members by direct observation in different parts of the world.²⁶³

The IFRS Foundation response

- 11.19 The proposal in the ITC was designed to be an indication of the frequency of meetings, rather than a set time scale, although more than four meetings a year could have resource implications for the IASB and ASAF members and cause timing issues in sending out material for meetings sufficiently in advance for ASAF members to prepare adequately for the meeting, including time for consultation with constituents in their jurisdiction/region. The proposed Terms of Reference do not specify a meeting frequency, on the grounds that it is preferable to first see how the meetings work out in practice.
- 11.20 On the issue of the potential locations of meetings, the proposed Terms of Reference specify that the meetings shall normally held in London, but provide that they may be held in another location subject to the agreement of the IASB and ASAF members.

258 NASB (CL35)

259 E&Y (CL11), IIF (CL13)

260 IMA (CL9)

261 HKICPA proposed redrafting the wording in paragraph 6.17 to 'the ASAF should meet no fewer than 3 times a year for not less than 1.5 days per meeting'. (CL5), IIF suggested minimum of 3 days per quarter (CL13), Deloitte (CL21), Mazars said every two months should be minimum (CL47), BDO suggested six two day meetings each year (CL54)

262 RVDJ (CL27)

263 AcSB (CL31), AcSOC (CL49)

Funding and resources:

- 11.21 A few respondents commented on the issue of resources. The point was raised that the document did not clarify who was responsible for travel expenses and it was important to do so as this could inhibit the involvement of certain NSS.²⁶⁴ Clarification was also requested with regards to paragraph 6.33 of the ITC on how the Foundation and ASAF participants would meet the needs of more IASB resources if required.²⁶⁵ One respondent²⁶⁶ felt that resource constraints were a major hindrance to effective participation. Another raised concerns among its members about potential strains on resources if they were to participate in all international forums and said that most felt the IASB's focus should be on ASAF and regional group meetings.²⁶⁷

The IFRS Foundation response

- 11.22 ASAF members will be required to provide the necessary resources to act as an active member of the Forum and this is made clear as a commitment set out in the proposed MoU. The proposed MoU also commits the IFRS Foundation to provide the necessary resources and secretariat to host the ASAF meetings and the necessary liaison, communication and support between the ASAF and the IASB.

264 SAICA (CL2), SAFRSC (CL3), CINIF (CL45)

265 IOSCO (CL41)

266 Avante (CL62)

267 AOSSG (CL17)

Appendix A

ACCOUNTING STANDARDS ADVISORY FORUM: PROPOSED TERMS OF REFERENCE/CHARTER

The Accounting Standards Advisory Forum (ASAF) is a group of nominated members from both National Standard-Setters ('NSS') and regional bodies involved with accounting standard-setting (regional bodies). The members of ASAF and the IFRS Foundation (the Foundation) signed a memorandum of Understanding on _____. This document sets out ASAF's terms of reference.

1. OBJECTIVES OF THE ASAF

- 1.1 The G20 has consistently emphasised the importance of working towards a single set of high quality global accounting standards, and called upon accounting standard-setters to continue their efforts to achieve this goal. The IFRS Foundation (the 'Foundation') has set as its objectives the aim to develop in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles; to promote, and facilitate the adoption of International Financial Reporting Standards ('IFRSs') around the globe and to promote the consistent application of IFRSs around the globe. These standards should serve investors and other market participants in making informed resource allocation and other economic decisions. The International Accounting Standards Board ('IASB') is the standard-setting body of the Foundation.
- 1.2 The objective of the ASAF is to provide an advisory forum where members can constructively contribute towards the achievement of the IASB's goal of developing globally accepted high-quality accounting standards. More particularly, ASAF is established to:
 - support the Foundation in its objectives, and contribute towards the development, in the public interest, of a single set of high quality understandable, enforceable and globally accepted financial reporting standards to serve investors and other market participants in making informed resource allocations and other economic decisions;
 - formalise and streamline the IASB's collective engagement with the global community of NSS and regional bodies in its standard-setting process to ensure that a broad range of national and regional input on major technical issues related to the IASB's standard-setting activities are discussed and considered; and
 - facilitate effective technical discussions on standard-setting issues, primarily on the IASB's work plan but which may include other issues that have major implications for the IASB's work, in sufficient depth, with representatives at a high level of professional capability and with a good knowledge of their jurisdictions/regions;

2. ORGANISATIONAL STRUCTURE AND WORKING MECHANISMS

2.1. Chairmanship

- 2.1.1 The IASB Chair or the Vice-Chair shall be the Chair of the ASAF.

- 2.1.2 The Chair shall have the discretion to draw up the ASAF technical agenda, following consultation with the IASB and ASAF members, and structure the meetings in such a way as to ensure optimal and constructive, in-depth technical discourse to achieve the ASAF's objectives.

2.2. Membership

- 2.2.1. The ASAF shall comprise twelve non-voting members, represented by twelve individuals, plus the Chair.
- 2.2.2. The twelve individuals shall represent twelve NSS and regional bodies from around the globe. The appointment is not in their personal capacity.
- 2.2.3. The individual representatives of the ASAF members should be capable of providing technical expertise, experience and practical knowledge of accounting issues from within their jurisdiction/regions to enable them to contribute meaningfully to technical discussions and provide reliable and relevant technical advice to the IASB.
- 2.2.4. Every ASAF member shall be capable of, and willing to, allocate and commit necessary staffing and resources to meet the objectives of the ASAF and the IASB.
- 2.2.5. In order to ensure a broad geographical representation and balance of the major economic regions in the world, the twelve members shall be from the following geographical regions:
- one member from Africa;
 - three members from the Americas (North and South);
 - three members from the Asia/Oceania region;
 - three members from Europe (including non-EU); and
 - two members appointed from any area of the world at large, subject to maintaining overall geographical balance.
- 2.2.6. In order to ensure efficiency and continuity, there shall be a single designated representative for each member organisation. The single designated representative may be the Chair, or another senior member of staff from the organisation, who fulfils the requirements of section 2.2.3. The single designated representative may delegate another member of his/her organisation with specialist expertise to represent the organisation in discussions on particular agenda items.
- 2.2.7. The Chair shall have the discretion to invite a representative of a non-member NSS or regional body to attend and participate in ASAF meetings, subject to any attendee having the technical expertise and capability to make a valuable contribution to the ASAF in accordance with section 2.2.3 above. Where possible, the Chair will endeavour to obtain the prior consensus of the meeting.
- 2.2.8. Members of the IASB may attend ASAF meetings.

- 2.2.9. Membership of ASAF, which is renewable, is subject to review every two years (which itself is subject to the continued existence of ASAF). As well as achieving the geographical balance referred to in section 2.5.5 above, the review, as well as the initial composition, of the membership will take into account factors such as technical competence, the scale of the jurisdiction's capital market, the organisation's contribution to the IASB's standard-setting process and the scale and degree of the human capital resources available to the organisation, among others.
- 2.2.10. Members of ASAF will be selected by the Trustees of the IFRS Foundation, following a call for candidates. In selecting the membership, the IFRS Foundation will consult with relevant regional bodies and regulatory bodies.

2.3.Meetings

- 2.3.1. Meetings shall normally be held in London, utilising the Foundation's secretariat and resources to host the meeting, including the meeting venue and relevant catering. The Chair and ASAF members may agree to hold meetings in other locations.
- 2.3.2. Travel and accommodation costs of attending ASAF meetings shall be borne by the members attending the meeting.
- 2.3.3. Foundation staff shall prepare the proposed agenda for each meeting, in consultation with ASAF members, in order to provide a summary of the key issues under consideration. The final agenda for each meeting is at the discretion of the Chair of the ASAF. Supporting papers for the meetings will be prepared by Foundation staff or by ASAF members. The agenda and the supporting papers shall be circulated in advance in order to ensure that ASAF members are fully prepared and capable of actively and constructively participating in all ASAF discussions and work.
- 2.3.4. Members of the ASAF are recommended to attend all meetings in person. If attendance in person is not possible, members may attend by using teleconferencing, videoconferencing or any other electronic means.

2.4. Communication

- 2.4.1. All ASAF meetings shall be held in public and webcast for the benefit of stakeholders and observers around the globe. Agenda papers and a meeting summary will be posted on the Foundation's website.
- 2.4.2. The Foundation shall maintain a separate section of its website for ASAF, with the intention of providing information and support for all stakeholders.

2.5.Review of ASAF

- 2.5.1. All aspects of ASAF and its operations shall be reviewed by the IFRS Foundation two years after the establishment of the group (as from the date of signing the Memorandum of Understanding).

Appendix B

ACCOUNTING STANDARDS ADVISORY FORUM: PROPOSED MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is made on _____ day

BETWEEN

THE IFRS FOUNDATION

AND

NATIONAL STANDARD-SETTERS AND REGIONAL BODIES

1. PREAMBLE

The G20 has consistently emphasised the importance of working towards a single set of high quality global accounting standards, and called accounting standard-setters to continue their efforts to achieve this goal²⁶⁸. The IFRS Foundation (the 'Foundation') has set as its objectives the aim to develop in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles; to promote, and facilitate the adoption of International Financial Reporting Standards ('IFRSs') around the globe and to promote the consistent application of IFRSs around the globe. These standards should serve investors and other market participants in making informed resource allocation and other economic decisions. The International Accounting Standards Board ('IASB') is the standard-setting body of the Foundation.

The Accounting Standards Advisory Forum ('ASAF') is established to support the Foundation in achieving its objectives.

268 2008 (Washington): The key global accounting standards bodies should work intensively toward the objective of creating a single high-quality global standard. Source: <http://www.g20.utoronto.ca/summits/2008washington.html> / Action Plan: <http://www.g20ys.org/docs/Washington%202.pdf>.

2009 (Pittsburgh): We call on our international accounting bodies to redouble their efforts to achieve a single set of high quality, global accounting standards within the context of their independent standard setting process, and complete their convergence project by June 2011. Source: <http://www.g20.org/images/stories/docs/eng/pittsburgh.pdf>.

2009 (London): Accounting standard-setters should take action by the end of 2009 to make significant progress towards a single set of high quality global accounting standards. Source: <http://www.g20.utoronto.ca/2009/2009ifi.pdf>.

2010 (Toronto): We re-emphasized the importance of achieving a single set of high quality improved global accounting standards. Source: <http://www.g20.utoronto.ca/2010/to-communicate.html>.

2011 (Cannes): We reaffirm our objective to achieve a single set of high quality global accounting standards. Source: <http://www.g20.utoronto.ca/summits/2011cannes.html>.

2012 (Los Cabos): We support continuing work to achieve convergence to a single set of high-quality accounting standards. Source: <http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html>.

ASAF is a group of nominated members from both National Standard-Setters ('NSS') and regional bodies involved with accounting standard-setting (regional bodies).

The Foundation recognises that NSS and regional bodies have expertise in standard-setting and valuable local jurisdictional experience and knowledge, which should be taken into account by the IASB in setting global financial and reporting standards. The ASAF will provide the opportunity for greater valuable discourse, complement the existing IASB's outreach activities and enhance the quality of the final standard.

The objective of the ASAF is to provide an advisory forum where members can constructively contribute towards the achievement of the IASB's goal of developing globally accepted high-quality accounting standards. More particularly ASAF is established to:

- support the Foundation in its objectives, and contribute towards the development, in the public interest, of a single set of high quality understandable, enforceable and globally accepted financial reporting standards to serve investors and other market participants in making informed resource allocations and other economic decisions;
- formalise and streamline the IASB's collective engagement with the global community of NSS and regional bodies in its standard-setting process to ensure that a broad range of national and regional input on major technical issues related to the IASB's standard-setting activities are discussed and considered; and
- facilitate effective technical discussions on standard-setting issues, primarily on the IASB's work plan, but which may include other issues that have major implications for the IASB's work, in sufficient depth, with representatives at a high level of professional capability and with a good knowledge of their jurisdictions/regions.

The parties of this MOU respect each other's role and the establishment of ASAF does not in any way undermine their respective formal mandates. The IFRS Foundation recognises the independent roles that NSS and regional bodies have within their own national and regional context, and the members of ASAF recognise that the IASB operates within the framework of the Foundation's constitution which sets the principle of the IASB's independence in developing IFRSs.

The parties of this MOU may maintain open relationships with other stakeholders, and the establishment of ASAF does not preclude the IASB or the members of ASAF from having individual relationships with stakeholders and there should be no restriction on the ability of the parties to develop and maintain their own relationships.

2. COMMITMENTS OF ASAF MEMBERS

The ASAF members formally commit to:

- 2.1 supporting and contributing to the IFRS Foundation in its mission to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards;
- 2.2 encouraging input from constituents within their jurisdiction/regions on the technical standard-setting activities of the IASB;

- 2.3 providing the technical resources including the appointment of representatives with standard-setting experience and expertise, allocating technical resources in preparation for ASAF meetings and participating actively in substantive technical discussions;
- 2.4 providing the necessary resources to act as an active member of ASAF, including time and travel costs; and
- 2.5 respecting the IASB's independence, by ensuring that ASAF's discourse does not compromise or challenge the independence and integrity of the IASB and its duty to be the final arbiter of IFRSs.

3. COMMITMENTS OF THE FOUNDATION

The Foundation formally commits to:

- 3.1 actively engaging with the ASAF and ensuring that its views and feedback are faithfully and fully presented to the IASB as a substantive part of stakeholder outreach;
- 3.2 providing technical resources to contribute to ASAF's effective work and discussions, including the participation of IASB representatives (the Chair and other IASB members), and experienced staff with technical expertise;
- 3.3 providing the necessary liaison, communication and support between the ASAF and the IASB;
- 3.4 preparing the agenda and ensuring the timely circulation of the agenda and supporting papers (prepared by IASB staff or ASAF members), in order to ensure that ASAF members have the opportunity to be fully prepared and capable of actively and constructively participating in all ASAF discussions and work;
- 3.5 providing the necessary resources and secretariat to host the ASAF meetings;
- 3.6 ensuring full transparency of ASAF discussions, including that all meeting agendas, supporting papers and meeting summaries are placed in the public domain, meetings are webcast, and preparing and publishing appropriate press releases and communication following ASAF meetings for the benefit of stakeholders and observers around the globe; and
- 3.7 respecting the independence of ASAF members and recognising that ASAF's members operate under their own specific national mandates, and undertakes not to undermine or compromise the existing legal rights and obligations of the ASAF members within their respective jurisdictions.

PROPOSAL TO ESTABLISH AN ACCOUNTING STANDARDS ADVISORY FORUM: FEEDBACK STATEMENT

List of Respondents		
Comment Letter number	Name of respondent	Country
1	France Telecom—Orange Group	France
2	Southern African Institute of Chartered Accountants (SAICA)	South Africa
3	South African Financial Reporting Standards Council (SAFRSC)	South Africa
4	Australian Financial Reporting Council (AusFRC)	Australia
5	Hong Kong Institute of Certified Public Accountants (HKICPA)	Hong Kong
6	Unilever	Global
7	External Reporting Board of New Zealand (XRB)	New Zealand
8	Danish Accounting Standards Committee (DASC)	Denmark
9	Institute of Management Accountants (IMA)	US
10	German Banking Industry Committee (GBIC)	Germany
11	Ernst and Young (E&Y)	Global
12	Denise Silva Ferreira Juvenal, accountant based in Rio de Janeiro	Brazil
13	Institute of International Finance (IIF)	Global
14	Australian Accounting Standards Board (AASB)	Australia
15	Korea Accounting Standards Board (KASB)	Korea
16	Chris Barnard, independent commentator based in Germany	Germany
17	Asian-Oceanian Standard-Setters Group (AOSSG)	Asia-Oceania
18	French Banking Federation (FBF)	France
19	Japanese Institute of Certified Public Accountants (JICPA)	Japan
20	Insurance Europe (IE)	Europe
21	Deloitte	Global
22	Accounting Standards Board of Japan (ASBJ)	Japan
23	Certified Public Accountants of Kenya (CPAK)	Kenya
24	L Nelson Carvalho, Professor of Accounting based at the University of Sao Paulo	Brazil
25	Indonesian Accounting Standards Board (DSAK)	Indonesia
26	Singapore Accounting Standards Council (SingASC)	Singapore
27	Raad Voor De Jaarverslaggeving (RVDJ)	Netherlands
28	Quoted Companies Alliance (QCA)	UK
29	Canadian Securities Administrators (CSA)	Canada
30	Comite de Pronunciamentos Contabeis (CPC)	Brazil
31	Canadian Accounting Standards Board (AcSB)	Canada
32	Financial Executives International (FEI)	Global
33	Association of Chartered Certified Accountants (ACCA)	UK

PROPOSAL TO ESTABLISH AN ACCOUNTING STANDARDS ADVISORY FORUM: FEEDBACK STATEMENT

34	Association pour la participation des entreprises francaises a l'harmonisation comptable internationale (ACTEO), Mouvement des Entreprises de France (MEDEF), Association Française des Entreprises Privées (AFEP)	France
35	Norwegian Accounting Standards Board (NASB)	Norway
36	Institute of Chartered Accountants Australia (ICAA)	Australia
37	Russian National Organisation for Financial Accounting and Reporting Standards (NOFA)	Russia
38	PricewaterhouseCoopers (PwC)	Global
39	Swedish Financial Reporting Council (SFRC)	Sweden
40	German Insurance Association (GDV)	Germany
41	International Organization of Securities Commissions (IOSCO)	Global
42	Institut der Wirtschaftsprüfer (IDW)	Germany
43	China Accounting Standards Committee (CASC)	China
44	Business Europe (BE)	Europe
45	Consejo Mexicano de Normas de Informacion Financiera (CINIF)	Mexico
46	Group of 100 (G100)	Australia
47	Mazars	Global
48	Instituto de Contabilidad y Auditoria de Cuentas (ICAC)	Spain
49	Canadian Accounting Standards Oversight Council (AcSOC)	Canada
50	Polish Accounting Standards Committee (PASC)	Poland
51	Institute of Chartered Accountants in England and Wales (ICAEW)	UK
52	KPMG	Global
53	Federation of European Accountants	Europe
54	BDO	Global
55	European Banking Federation (EBF)	Europe
56	Financial Reporting Council (FRC), Organismo Italiano di Contabilita (OIC), Autorité des normes comptables (ANC), Deutsches Rechnungslegungs Standards Committee (DRSC)	UK, Italy, France, Germany
57	European Financial Reporting Advisory Group (EFRAG)	Europe
58	Autorité des normes comptables (ANC)	France
59	Malaysian Financial Reporting Foundation (MFRF)	Malaysia
60	US Financial Accounting Foundation (FAF)	US
61	European Commission	Europe
62	Avante Advisory Services	South Africa
63	European Securities and Markets Authority (ESMA)	Europe

Appendix C