

International Accounting
Standards Board (IASB)

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12 November 2010

The Honourable Tommaso Padoa-Schioppa
Chairman
IFRS Foundation Trustees
30 Cannon Street
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Dear Tommaso

I am writing to you following the request of the Monitoring Board for information regarding the leasing, revenue recognition, and insurance accounting projects. The Monitoring Board also sought information regarding the IASB's consideration of country-by-country reporting for extractive industries.

As I reported at the Trustees' meeting, the IASB remains committed to its target completion date of June 2011 for its leasing, revenue recognition, and insurance projects and believes that the target date for all three remains achievable. In working towards that date, we are aware that the leaders of the G20 nations have repeatedly emphasised the need to complete our convergence work in 2011. This date is also important for those countries in the process of adopting or considering the adoption of IFRSs.

In completing the projects, the IASB is committed to fulfilling all of its due process requirements. Assessing the effect of a particular standard is a basic part of the consultation process already, and we will give appropriate consideration to cost and benefit issues in finalising these three standards. To understand the potential costs, benefits and effects of particular standards, the IASB uses the information received from the comment letter process, field visits with companies, meetings with stakeholder groups (including investors), and surveys. We explain how cost-benefit considerations were factored into the IASB's decisions in our feedback statements, effect analyses and the bases for conclusions.

Our evaluations of costs and benefits are necessarily qualitative, rather than quantitative. This is because quantifying costs and, particularly, benefits is inherently difficult. Although other standards setters undertake similar types of analysis, there is a lack of sufficiently well-established and reliable techniques for quantifying this analysis.

Some jurisdictions that incorporate IFRSs within their legal framework require, or elect to prepare, some form of regulatory impact assessment before a new IFRS, or an amendment to an existing IFRS, is brought into law. The requirements vary from jurisdiction to jurisdiction, and in some cases have broader policy factors in mind than the effect on preparers and users. It is unlikely that we could prepare an assessment that meets the needs of every jurisdiction. What we do is provide jurisdictions with input to their processes. Our expectation is that our assessments will assist jurisdictions in meeting their requirements.



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At the meeting, members of the Monitoring Board raised the issue of country-by-country reporting, particularly in relation to extractive industries. In October the IASB considered the comments on its extractive activities discussion document, where the issue was raised. We are giving full consideration of country-by-country reporting, including whether the issue is appropriately within our mandate or not. Throughout the process, we have been in direct and regular contact with stakeholders groups advocating an IASB role in requiring country-by-country reporting. In 2011, the IASB plans to make a decision on whether the extractive activities project should be added formally to its active agenda. If the IASB decides to add the project to its agenda, the project's objective would be to develop an IFRS on accounting for extractive activities that would supersede IFRS 6 *Exploration for and Evaluation of Mineral Resources*.

I will continue to report progress on further developments on these projects.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'David Tweedie', with a horizontal line underneath.

David Tweedie
Chairman