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**International  
Accounting Standards  
Committee Foundation**

*This document is provided as a convenience to observers at IASCF meetings, to assist them in following the discussion.*

## **INFORMATION FOR OBSERVERS**

**IASCF Meeting, 15-16 January 2009**

### **Agenda Paper 3**

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#### **Status of IASC Foundation Funding**

The IASC Foundation set four principles for a funding system in 2008 and beyond. These four principles are:

- **Broad-based:** A sustainable long-term financing system must expand the base of support to include major participants in the world's capital markets, including official institutions, in order to ensure diversification of sources.
- **Compelling:** A system must carry with it enough pressure to make free riding very difficult. This could be accomplished through a variety of means, including official support from the relevant regulatory authorities and formal approval by the collecting organisations.
- **Open-ended:** The financial commitments should be open-ended and not contingent on any particular action that would infringe on the independence of the IASC Foundation and the IASB. This should include sustained support from official international organisations, central banks and the major accounting firms.
- **Country-specific:** The funding burden should be shared by the major economies of the world on a proportionate basis, using GDP as the key determining factor of measurement. Each country should meet its designated target in a manner consistent with the principles above. Trustees should be assigned to specific countries to assist in the development of the funding scheme.

#### **2008: A year of progress**

The Trustees made significant progress in 2008 in advancing the funding initiative and helping to ensure the great majority of major economies of the world contributed their fair

share. Contributions in 2008 are expected to reach nearly £14 million, up from £10.5 million in 2007. This growth is explained by the following:

- In Europe, Italy, Luxembourg, the Netherlands, and Spain all established either levy or national payment systems. This helped to expand the European contribution significantly in 2008.
- In Asia-Oceania, the Japanese contribution grew from US\$2 million to US\$2.8 million, a 40 percent increase. China, Hong Kong SAR, and India all introduced to funding systems and grew their respective contributions as well. Australia, Korea, and New Zealand all maintained their level of financial support.
- In North America, funding in the United States continued to advance, and a possible levy is under consideration. The Canadian standard-setting authority has agreed to facilitate a broad Canadian contribution in 2009.

The Trustees should, however, note that there were some small set backs in 2008, compared to the expectations reported in Beijing. They were:

- **France:** No funding was received in 2008, because the establishment of a new and more stable regime, supported by the French Finance Ministry, took longer to establish. Such a regime will be in place for the 2009 calendar year and will mean that France should be able to meet its target in a timely manner. While this was a setback for 2008, this marks a major advance for the long-term.
- **Spain:** The levy should be in place for the 2009 calendar year, rather than 2008. However, the shortfall was partly covered through voluntary contributions in Spain, which will be reported in the 2008 annual report.
- **Canada:** Per above, the Canadian system will start in 2009, rather than 2008.
- **United States:** We have had some attrition of donors (Lehman, Bear Stearns, and Merrill Lynch) due to the financial crisis.

## 2009 projection

A full breakdown on expected funding follows below:

Country/Type of contributor	System in place	Anticipated amount for 2009*
<b>Europe</b>		
Germany	Voluntary system of more than 100 private companies with maximum contribution of EUR 36,000	EUR 1,320,000
United Kingdom	Levy on companies through the UK Financial Reporting Council	£750,000
France	A 'levy' system being established	A target of EUR 1,000,000
Italy	Levy on registered companies	EUR 750,000
Spain	Levy being established with support	EUR 500,000

	of the stock exchange and securities regulator	
<b>Netherlands</b>	Contributions through the Ministry of Finance	EUR 380,000
<b>Sweden</b>	A national funding mechanism established	EUR 300,000
<b>Switzerland</b>	Funding primarily collected through Swiss business associations (Swiss Banking Association and Swiss Holdings)	EUR 250,000
<b>Luxembourg</b>	Funding through the Bourse of Luxembourg	EUR 50,000
Funding efforts are proceeding in other European Union Member States. Details of commitments will be posted when confirmed.		
<b>Africa</b>		
<b>South Africa</b>	Contributions through the South African Institute of Chartered Accountants in 2008; Levy being established for 2009	US\$ 150,000
<b>Americas</b>		
<b>United States</b>	Voluntary system of 33 companies with range of contribution from \$3,750-\$200,000	US\$ 3,600,000
<b>Mexico</b>	Voluntary system of contributions	US\$ 50,000
<b>Brazil</b>	Voluntary system of contributions	US\$ 15,000
Funding efforts are proceeding in Canada, and discussions are occurring with the Accounting Standards Oversight Council of the Canadian Accounting Standards Board.		
<b>Asia-Oceania</b>		
<b>Japan</b>	Voluntary system co-ordinated centrally, involving a range of Japanese market participants	US\$ 2,800,000
<b>China, excluding Hong Kong SAR</b>	Voluntary contributions of Chinese listed companies through the China Accounting Standards Committee	US\$ 900,000
<b>Australia</b>	Annual payment on behalf of private and public sector stakeholders in the Australia accounting standard-setters process	A\$ 1,000,000
<b>Korea</b>	Voluntary contributions of Korean listed companies through the Korea Accounting Standards Board	A target of US\$ 500,000 with US\$ 300,000 committed in 2008
<b>India</b>	Contribution through major two exchanges, supported by securities regulator	US\$ 400,000
<b>Hong Kong SAR, China</b>	Contribution through regulatory authorities and stock exchange	US\$ 195,000
<b>New Zealand</b>	Annual payment through the Accounting Standards Review Board	NZ\$ 200,000
Funding efforts are proceeding in other countries in the Asia-Oceania region.		
<b>Central Banks and International Organisations</b>		
<b>Central banks and international organisations</b>	Voluntary payments	US\$ 530,000 (efforts ongoing)

<b>International Accounting Firms</b>		
<b>Deloitte, Ernst &amp; Young, KPMG, and PricewaterhouseCoopers</b>	Voluntary payments	US\$ 2,000,000 each
<b>BDO and Grant Thornton</b>	Voluntary payments	US\$ 150,000 each
<b>Mazars</b>	Voluntary payment	US\$ 100,000

## **The future**

Based on current exchange rates, our funding commitments should produce more than £17 million. Some of this gain is offset by losses on the hedged portion of the contributions—which is a loss of approximately £3 million at year end for the years 2009 and 2010.

More importantly, the Trustees will need to assess the adequacy of the new, broad-based funding arrangement for the future. The Trustees are considering a five-year plan as part of the meeting. A summary of the projected budget is attached.

The budget shows a significant increase in resource demands in the future, if the organization is to meet its global responsibilities. This could largely be addressed if a stable system of funding is established in the United States, and the United States fulfills its recommended target of US\$7.5-8 million annually. To demonstrate the effect of such a US contribution, we have assumed that this is achieved in 2012.

Clearly, efforts to expand funding initiatives globally should continue as well.

## Appendix

Five Year Plan	Budget 2008	Forecast 2008	Published Budget 2009	Budget using spot rate 31/12/2008	2010	2011	2012
<b>Revenues</b>							
Contributions and Interest	13,757,091	13,772,455	14,762,711	18,182,633	18,182,633	18,182,633	21,602,840
Publication & Related Activities (Net Income)	2,395,229	2,837,605	2,134,401	2,149,181	2,230,058	2,020,176	2,127,015
<b>Total Revenues</b>	<b>16,152,320</b>	<b>16,610,060</b>	<b>16,897,112</b>	<b>20,331,814</b>	<b>20,412,691</b>	<b>20,202,809</b>	<b>23,729,855</b>
<b>Expenditure</b>							
Total Remuneration	11,871,994	11,395,988	13,590,042	13,460,912	15,650,801	15,822,521	16,203,534
Total Office costs	1,882,538	1,797,567	1,975,039	1,975,039	2,529,473	2,356,863	2,405,717
Total Professional costs	377,500	413,215	392,425	392,425	566,363	580,522	595,035
Total Travel Costs	2,125,603	2,390,160	2,420,948	2,420,948	2,609,597	2,674,837	2,741,708
<b>Total Expenditure</b>	<b>16,257,635</b>	<b>15,996,929</b>	<b>18,378,454</b>	<b>18,249,324</b>	<b>21,356,234</b>	<b>21,434,742</b>	<b>21,945,993</b>
<b>Net Operating Surplus / (Deficit)</b>	<b>(105,315)</b>	<b>613,131</b>	<b>(1,481,342)</b>	<b>2,082,490</b>	<b>(943,542)</b>	<b>(1,231,934)</b>	<b>1,783,862</b>