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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 Trustees Meeting

Amsterdam 7 July 2009

Agenda Paper 7

Report to the Trustees from the SAC Chairman July 2009

I am pleased to submit this report on the work of the new reconstituted SAC. The views expressed herein are my personal observations. The SAC met on February 23-24 and again on June 22-23. Both meetings were well attended and the overall level of participation was high. A major change introduced by the Trustees this year is that SAC members are expected to represent the views of their respective organizations whereas previously the members were expected to provide their personal views and advice. The composition of the membership can be analyzed as follows:

	Africa	Americas	Asia/Oceania	Europe	International Organizations	Total
Regulators/International Organization		1	2	3	5	11
User		4	2	2	1	9
Accounting profession	1		1		7	9
Standard setter	1	1	2	2		6
Preparer		4	3	3	2	12
Academic					1	1
Total	2	10	10	10	16	48*

*Including three observer organizations (SEC, EC and JFSA).

I believe the Trustees' decisions to give SAC members a representational role and appoint Charles Macek and Patrice Marteau as Vice-chairmen were wise and have increased the level of engagement and regional representation of the members, as evidenced by the excellent attendance and participation at meetings. The very large size of the SAC does, however, pose a real challenge in facilitating a meaningful exchange of views and we are taking steps to address the situation. For example, in conjunction with the June meeting optional education sessions were held before and after the SAC meeting on topics such as financial instruments, revenue recognition and XBRL, enabling more in-depth exploration of issues in much smaller groups. We also re-introduced a practice of the previous SAC of holding breakout sessions on financial statement presentation and fast-track due process, with report backs in plenary session. We will continue to explore new ways of operating to make the meetings as productive as possible. I would, however, urge the Trustees to resist the temptation to enlarge the SAC membership. My advice would be to hold the line for the moment, monitor our progress over the next two years and then perhaps reconsider the size issue.

Role of the SAC

Much of the first meeting was spent on reaching a common understanding of our mandate and how to operate most effectively. Members accept that our role is to provide advice to the IASB and, on occasion to the Trustees, on key strategic issues, in particular agenda decisions and priorities affecting major projects. The aim is to produce relatively brief agenda papers focussed on a few key issues on which the views of SAC members would be sought. In most cases, the objective is to identify potential issues and concerns that the IASB should take into consideration in its deliberations. In such cases, it is essential that the IASB hears the range of views rather than to seek consensus and that the IASB demonstrates that those views have been taken into consideration. There will be occasions, however, where the SAC feels it important to speak with one voice in making a recommendation to the IASB, in which cases members would expect that the IASB would either accept the SAC's recommendation or report back formally to the SAC with an explanation why the SAC's recommendation had been rejected.

Consultation does, however, take time and puts an added burden on staff to ensure that agenda papers are distributed well in advance of meetings. Some SAC members questioned the adequacy of only three meetings per year, especially in light of all the IASB has on its agenda between now and 2011. Some members questioned the role of the group between meetings. We are exploring ways of making greater use of web-based technology to enable members to keep current and exchange views between meetings. The following steps have been taken to ensure we are addressing relevant topics:

- An Agenda Committee has been appointed, including Stephen Cooper on behalf of the IASB.
- Stephen Cooper has been designated as the IASB liaison to the SAC.
- A user subgroup meets with representatives of the Trustees at each meeting. This has been warmly welcomed by the users and has prompted some SAC members to wonder whether similar subgroups should be formed for eg., preparers and auditors. My advice would be to resist a proliferation of subgroups.

- A member of the IASB technical staff has been assigned responsibility as the primary support for the SAC. It is difficult to estimate how much time will be required initially but it is likely to increase and a full-time technical staff member will likely be needed longer term.

Financial Crisis

Members who spoke gave strong support for the Board's activities in addressing the financial crisis. Those members indicated that it is important to respond to matters raised by organisations such as the G20 and the Financial Stability Forum. Several members commended the progress made on the fair value measurement, consolidations and derecognition projects. The general consensus of the members that spoke was that they see these projects as having a high priority and the Board should continue on their progress to final standards, while continuing to keep in mind the long-term goals.

SAC members encouraged the IASB not to lose sight of its long term goals in times of crisis. Transparency was advocated as a large part of financial stability, important to investor confidence and as the main objective of accounting standards—to present the economic situation as true as possible.

Financial Instruments

The fair value measurement project in respect to financial instruments was specifically addressed in light of current times. Members expressed high support for re-examining the accounting requirements both for current and possible future situations. In February, the majority of members supported the continuation of a “mixed measurement” model with some instruments carried at fair value and others at cost. The members were divided, however, as to the basis for deciding which instruments were to be at fair value or cost, with a slight majority preferring an approach based on management intent and the others preferring objective criteria. If objective criteria are used, most members preferred a distinction based on trading rather than based on the characteristics of the instrument. I should emphasize these were the preliminary and personal views of members as we had not been given the opportunity and reflect and consult in advance of the meeting.

After the meeting in February, members were asked to consult their organizations and express their views on several matters relating to whether the IASB should make additional piecemeal changes to IAS 39 to converge with recent changes in US GAAP. 41 members responded:

- Members were unanimous that any amendments, even on a fast-track basis, should follow appropriate due process, including a reasonable comment period.
- Members were unanimous that a simplified new global standard on FIs is urgently needed.
- Nearly three-quarters of those responding agreed that the IASB should not converge “piecemeal” with US GAAP on accounting for impairment of debt securities.

All of this was done within a matter of a few days and the results were reported in writing to Sir David and his fellow IASB members in advance of their deliberations. I am pleased to note that

the IASB's decisions are consistent with those expressed by the SAC. This demonstrates that the SAC can move quickly and decisively on urgent matters. Consultation with the SAC need not delay timely resolution of urgent issues. To the contrary, I believe consultation with the SAC in advance is essential on major issues such as this.

In June, members were updated on the progress of the project to replace IAS 39. Members were satisfied that the appropriate steps are being taken to address the issues and urged the IASB to continue its efforts to communicate and reach out directly to stakeholders given the importance of the project. While members accept the need to act quickly and to respond to the concerns expressed by the G20 and others, what is needed is a global solution. SAC members are worried that the position of the IASB and the FASB may be weakened, and the quality of financial reporting may suffer, if the two boards are perceived to be diverging or if the IASB has to step out ahead of the FASB. SAC members stressed that the goal of convergence must not be lost sight of.

IASB Work Plan and Priorities

Many SAC members would have liked the opportunity to re-evaluate the current work plan and priorities. They worry that stakeholders will not be able to cope with the volume of new and revised standards and that the quality of the standards may suffer. In particular, many SAC members believe the continuing relevance of completing the MOU projects in 2011 as the primary driver of current projects and priorities must be reassessed in light of current circumstances. Many SAC members stressed the importance of completing the conceptual framework project on a timely basis and some wondered if a few projects, such as financial statement presentation and leasing, might be given a lower priority to lessen the overall workload. Members were assured by Sir David in June that the work plan and priorities have been carefully reassessed, in consultation with the FASB, and remain appropriate and that it would be counterproductive for the SAC to engage in such a debate at this time. SAC members accepted Sir David's advice and urged the IASB to prepare a paper that would set out the factors that had been taken into consideration in reaching the conclusion that the assumptions underpinning the current work program and priorities, in particular the goal of convergence and completion of the MOU by 2011, remain compelling. The SAC intends to begin now to direct our efforts to identifying the next generation of major topics to be activated when the current program has been substantially completed.

Constitution Review

SAC members discussed various items relating to Phase II. The following views seemed to have general support although formal votes were not taken and contrary views were expressed on some points:

1. The IASB does not have the resources at this time to address the accounting for not-for-profit and public sector entities.
2. The constitution should enshrine the notion of "principles-based standards", but it could be difficult finding the appropriate wording.
3. Concern was expressed for having a formal policy for "fast-track" issues, but should an occasion arise again it would be better to have a policy in place to allow for an acceptable

due process, at a minimum. The concern existed that having a formal fast track process could trigger unrealistic demands on the Board to address matters considered "important and urgent". Any fast-track policy should include exposure for public comment which, on a global basis, seems to require 30 days at a minimum. The Trustees have ownership of the constitution and hence any override of its requirements should require the approval of the Trustees. Occasions where major unforeseen developments arise are expected to be rare and SAC members questioned the value in attempting to develop extensive policies for dealing with such rare cases. In any event, SAC would expect to be consulted as part of any fast-track process on major issues and questioned the need for a fast-track policy to deal with minor issues.

4. The IASB could have a stronger role in monitoring the translation of IFRSs, but it should not be a primary responsibility of the IASB to perform the translations. Some members remarked that this is a good opportunity to use national and regional resources.
5. Funding of the IASCF was a concern raised by several members; although so was the cost of accessing IFRSs. The IASB is working on reaching a stable funding level, and ideally access to IFRSs would be free for everyone. However, this can only happen after an acceptable and stable funding base has been achieved.

Conclusion

I believe the reconstituted SAC is off to a good start. We have an excellent relationship with Sir David and his team. We very much appreciate the support of the Trustees, welcome you to our meetings and thank those of you who have already attended. Finally, I would encourage you to liaise with SAC members in your region and to raise issues and concerns with Charles Macek, Patrice Marteau or me. Meanwhile, Charles, Patrice and I will continue to define and refine our collective role in providing strong leadership of the SAC and a significant presence in the global financial reporting community.