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*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  
New York, 7 October 2009

### REPORT OF THE DUR PROCESS COMMITTEE

#### Agenda Paper 3

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#### Memorandum

**To:** IASCF Trustees  
**From:** Tamara Oyre  
**Date:** 9 September 2009  
**Re:** Update on the correspondence with Leaseurope

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The Trustees will recall that at the last Trustees' meeting in July in Amsterdam, the Due Process Oversight Committee reported on the correspondence that they had received from Leaseurope, a leasing industry association. Leaseurope had raised three major concerns:

- The IASB's decision to defer lessor accounting from the project and then its decision to include a chapter on lessor accounting in the discussion could lead to decisions regarding an important area of lease accounting without sufficient consultation.
- At the same time, Leaseurope thought that any new standard on lease accounting should address lessor accounting.
- In general, Leaseurope was disappointed that the IASB has not used its leasing working group effectively.

It was agreed that the Trustees and Sir David Tweedie should respond to Leaseurope as a matter of priority, explaining the matters that had been addressed in the meeting.

Attached please find the letters that were sent to Leaseurope for consideration. To date, Leaseurope has not replied to these responses.

The Leasing working group met during the first week in September. David Tweedie will provide an update on the project at the October Trustees' meeting.

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Leaseurope  
Avenue de Tervuren 267  
B - 1150 Brussels  
Belgium

10 August 2009

Dear Messrs van de Werve and Venus

**Re:    Your letter dated 24 March 2009**

We write further to our letter dated 19 June 2009, and your original letter dated 24 March 2009.

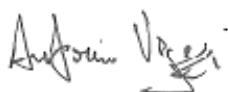
As was indicated to you in our letter of the 19<sup>th</sup>, the concerns raised in your letter were referred to the full Trustees, for consideration during the public session at their meeting in Amsterdam, in July.

The Trustees considered the points that were raised with care and received a report from the Due Process Oversight Committee and the Chairman of the IASB, Sir David Tweedie. As you know, the Trustees have oversight responsibility to ensure that the IASB carries out appropriate consultation and fairly and fully reflects the views of all interested parties. The Trustees have asked Sir David Tweedie to write to you under separate cover in response to the points that you raised, and he will address the substantive matters you have raised.

The Trustees are of the view that if the IFRS standards are to be globally accepted, it is essential for the IASB to carry out appropriate consultation, including engaging those parties affected by the standards. The Chairman of the IASB has assured the Trustees that further work on the leasing standard will be carried out in conjunction with the leasing working group and with appropriate public consultation with all stakeholders. When the IASB addresses lessor accounting they will find ways to engage intensively with industry and investors, among others, to ensure their voices are heard.

Thank you for taking the time to raise your concerns.

Yours sincerely



Antonio Vegezzi  
Chairman of the Due Process Oversight Committee

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Leaseurope  
Avenue de Tervuren 267  
B - 1150 Brussels  
Belgium

10 August 2009

Dear Messrs van de Werve and Venus

**Re:    Your letter dated 24 March 2009**

Thank you for your letter dated 24 March 2009, setting out Leaseurope's concerns relating to the leasing working group and the progress of the standard on lessee accounting.

The Trustees of the IASC Foundation raised this matter at their meeting in Amsterdam in July. The matter was debated in public forum and I answered the questions posed as a result of your letter. The Trustees have therefore asked me to answer the substantive points that you have raised in your letter.

In the letter, Leaseurope highlights the following issues:

- The IASB's decision to defer lessor accounting from the project and then its decision to include a chapter on lessor accounting in the discussion could lead to decisions regarding an important area of lease accounting without sufficient consultation.
- At the same time, Leaseurope believes that any new standard on lease accounting should address lessor accounting.
- In general, Leaseurope is disappointed that the IASB has not used its leasing working group effectively.

I will deal with each of these matters separately:

#### **Focus on lessee accounting**

Leaseurope accurately reflects the fact that in July 2008, the IASB decided to defer lessor accounting and focus on lessee accounting only.

Lease accounting is widely recognised as an area that requires improvement, leading to a significant number of assets and liabilities remaining off any balance sheet. The US Securities and Exchange Commission (SEC) recognised this when it wrote a report to Congress indicating that lease accounting required immediate attention. When the IASB agreed the 2011 milestones for the IASB-FASB Memorandum of Understanding update, the IASB agreed to prioritise elements of the lease accounting project to ensure completion by 2011.

To ensure some element of improved lease accounting was available for the next wave of adopting countries, one of the reasons behind the 2011 targets, the IASB prioritised the lessee element. It was the view of the IASB that the lessor and lessee elements are distinct and could be broken apart, particularly if the lessor element closely followed. That is what the

IASB currently plans to do. We also recognise that your industry has a different view, and we will consider that position when we analyse and assess the comments received on our discussion paper.

None of this is to suggest that lessor accounting is a low priority. Before we reach a view on the approach on the lease standard or standards, we will fully consider the views of all interested parties. The IASB welcomes input from industry to provide the IASB with relevant analysis, discussion and feedback. The IASB hopes that Leaseurope will make a contribution towards this discussion and analysis and will help shape the outcome of the standard on this section.

**Chapter on lessor accounting:** It is also the case that as a consequence of discussions with the FASB and their own research, the IASB decided to include a chapter based on lessor accounting in the discussion paper. This was based on the FASB research. This chapter is less developed in terms of Board thinking than the other chapters related to lessee accounting.

However, as noted above, the matter is not closed and there is still scope for further industry input and consultation so this chapter may be appropriately augmented.

#### **Working group:**

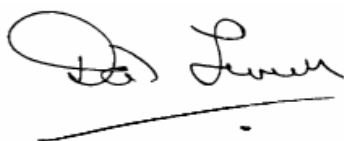
The IASB acknowledges that it could have used the leasing working group more effectively. This did not occur due to the short-term maternity absence of a key staff member. There were administrative difficulties in finding continuous cover and as a result communication with the working group was sub-optimal. Indeed, the Due Process Oversight Committee recently undertook a review of the working groups and this was confirmed.

The IASB has however reinvigorated the working group and this has coincided with the staff member's return. As such the IASB intends to make greater use of this group after comments on the discussion paper are received. This also coincides with the technical staff ensuring better communication and contact with all of the working groups in general.

The IASB takes stakeholder's concerns and comments seriously and wishes to ensure that they are all dealt with and given appropriate feedback. I trust that this letter answers the substantive concerns raised by Leaseurope.

I wish to thank Leaseurope for raising these important matters for consideration.

Yours sincerely

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

Sir David Tweedie  
Chairman of the International Accounting Standards Board (IASB)