

Summary of IASC Foundation Trustees meeting – October 2009

02 November 2009

The Trustees of the International Accounting Standards Committee (IASC) Foundation, the oversight body of the International Accounting Standards Board (IASB), today published the conclusions of their meeting in New York, USA on 7 and 8 October 2009.

Response to G20 conclusions

At their meeting in Pittsburgh in September, leaders of the G20 countries called on 'international accounting bodies to re-double 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'.

In response, the Trustees at their meeting reaffirmed their commitment to this objective within the independent standard-setting process. In doing so, they continued to support the priority that the IASB has given to the projects described in its Memorandums of Understanding (MoU) with the US Financial Accounting Standards Board and the Accounting Standards Board of Japan. Those two Memorandums outline steps to complete convergence of IFRSs and US GAAP and Japanese GAAP respectively by 2011, consistent with the G20 request.

The G20 statement also recorded the Leaders' request that 'The IASB's institutional framework should further enhance the involvement of various stakeholders'. The Trustees noted that one of the primary objectives of the second part of the Constitution Review now under way is to provide for such enhanced stakeholder interaction.

The Trustees welcomed initiatives already taken to enhance the IASB's engagement with stakeholders. Recently, the IASB arranged for improved technical dialogue with prudential market supervisors and other market regulators, as well as undertaking unprecedented levels of outreach activity during the development of proposals to replace IAS 39 *Financial Instruments: Recognition and Measurement*. Those activities included more than 70 meetings with investors, prudential supervisors, capital market authorities and other stakeholders to discuss the possible impact of the proposals, as well as round-table discussions hosted in Asia, Europe and the United States.

The Trustees noted their own initiative with a group of them meeting with US-based investment analysts to discuss how to foster more effective engagement of the investor community, and also a range of issues, including convergence and global adoption efforts, and the standard-setting response to the financial crisis.

Update on Constitution Review

In September proposals on the second part of the Constitution Review were published for public comment. The Trustees discussed the response received from interested parties through comment letters and welcomed the wide participation in the public round-table discussions.

A report on the round-table discussions will be published shortly, with the conclusions of the Constitution Review to be published at the beginning of 2010.

Further details are included in the Observer Note accompanying the meeting – see [Update on the Constitution Review](#)

Financing arrangements

The Trustees reviewed the long-term financing strategy of the IASC Foundation and the 2010 budget and future spending priorities.

The objective of the financing regime is to ensure that the IASC Foundation and the IASB have the ability to engage with interested parties throughout the world in the shaping of financial reporting standards, while maintaining the capability to respond to crisis. At the same time, the financing should be accomplished in such a way that ensures the independence and objectivity of the standard-setting process.

At their meeting, the Trustees reaffirmed the four funding principles that have guided fundraising activities since 2006, namely that funding should be (1) broad-based, (2) compelling, (3) open-ended and (4) country or jurisdiction-specific. Furthermore, building on these four principles, Trustees agreed that any funding system should:

- Cover all countries that are members of the G20, in the light of the importance of those countries and their continuing support for the development of global standards.
- Include other countries that have major financial centres, but are not part of the G20.
- Include other IFRS-adopting countries that participate in IASB activities (through their standard-setters, working groups, and the SAC).

Although good progress on funding arrangements has been made in a number of jurisdictions, the Trustees noted that more was needed in other regions.

The Trustees noted that it was important to ensure that the IASC Foundation and the IASB were well resourced in order to achieve the goal set by the G20 of completing the convergence work by June 2011, and that the organisation should consider funding the deficit through reserves until appropriate funding arrangements were made.

The Trustees continue to discuss funding arrangements with the Monitoring Board.

Due Process Oversight Committee

Antonio Vegezzi, Chairman of the Due Process Oversight Committee, noted the following points:

- Clarification of Board voting procedures: It was clarified that, if a vote is cast in a ballot by a board member who subsequently retires, on the final draft of a standard prior to its formal adoption, the vote would stand provided only editorial changes were made to that final draft. If any substantive change to the final draft was proposed and, after discussion in a public session, subsequently made, the ballot on the final draft would be regarded as invalid and a fresh vote by current members would be taken. This is the procedure that is currently adopted and there is therefore no need for any constitutional change.
- XBRL: The Trustees agreed to measures aimed at enhancing the quality control and the accountability of the IASC Foundation's XBRL activities. First, XBRL due process should fall under the remit of the Due Process Oversight Committee. The IASC Foundation's management team will be expected to report regularly to the Due Process Oversight Committee on XBRL activities. Second, the Trustees approved the XBRL Due Process Handbook. Third, in an effort to meet the demand for taxonomy extensions (custom tags with XBRL code that represent reporting concepts not found in the standard taxonomy) the Trustees agreed that staff should investigate with bodies such as IOSCO, the SEC, the European Commission and Japan FSA the possibility of establishing an independent body, in which the IASC Foundation would participate, to create XBRL IFRS extensions.

Further details are included in the observer note to the meeting – see [Report of the Due Process Oversight Committee](#) [zip file].

Report of the Chairman

Sir David Tweedie, Chairman of the IASB, provided an update on the activities of the IASB and emphasised the importance of achieving convergence by 2011 as stipulated in the MoUs and by the G20 and others.

- Significant progress has been made on adoption of IFRSs in Japan. In June 2009 the Business Accounting Council, an advisory body to the Commissioner of the Japan Financial Services Agency, proposed a roadmap that permits early adoption of IFRSs by listed companies for fiscal years beginning 1 April 2009 and proposes mandatory adoption of IFRSs from 2015 or 2016, with a final decision on the mandatory element being taken around 2012.
- Details were given on the response to the financial crisis. Significant progress, supported by unprecedented outreach activities, had been made on the project to reform IAS 39 with an IFRS for the classification and measurement phase and the IASB was on target to issue this in November 2009. Proposals dealing with the second phase—impairment methodologies— will be published shortly. There had been particularly close consultation with EU institutions, as the EU had identified key EU interests in the content and timing of the reform work. There had also been close consultation, and this will be intensified in the period immediately ahead, with FASB in the joint endeavour to strive for convergence towards a single, global standard.
- The process for determining the agenda post-2011 was beginning, and will involve consultation, not just with the Trustees, but with also the Standards Advisory Council (SAC), other stakeholders and interested parties.
- The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), which was issued in July, had been well received. Paul Pacter, the IASB Director of Standards for SMEs, will be chairing an SME Implementation Group to support the international adoption of the IFRS for SMEs. Wayne Upton, Director of International Activities, is also continuing successful outreach activities across the world.

Further details are provided in the Observer Note: [Report of the IASB Chairman](#) [zip file].

Standards Advisory Council (SAC) Update

Paul Cherry, Chairman of the SAC, provided an update on the activities of the SAC.

The SAC was closely following the project to reform IAS 39 and welcomed the efforts made by the IASB to reach out to all interested parties.

In general Mr Cherry believed that the majority of SAC members supported the direction of the Constitution Review. In his view the SAC should play a central role in the consultation process on agenda decisions and priorities for all major projects.

Mr Cherry commented that the SAC will begin an in-depth discussion on the strategic direction that will drive the IASB work programme in future, including a reconsideration of the role that convergence should play, at its meeting in November.

Next Trustees' meeting

The next Trustees' meeting will be held in **Brazil on 26 and 27 January 2010**.