30 Cannon Street, London EC4M 6XH, England
Phone: +44 (0)20 7246 6410, Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: http://www.iasb.org

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
London 29 March – 1 April 2010

Agenda Paper 2B

S U B J E C T T O R E V I S I O N

IASB Chairman's Report

In the past year the IASB made good progress towards achieving globally accepted financial reporting standards and completing the first phase of our project to improve and simplify the accounting for financial instruments.

The financial crisis

The financial crisis has dominated our activities for the past two years. From its outset, we have worked on a defined programme with time lines to address issues related to financial reporting. A number of official bodies, including the Group of 20 (G20), the Financial Stability Board, the European Commission, and other international groups of stakeholders have asked us to respond to specific issues they have identified.

On 9 November we met our commitment to conclude the first phase of the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* by issuing IFRS 9 *Financial Instruments*. We remain committed to issuing standards by the end of 2010 that will present a comprehensive and improved solution to this complex and contentious area and provide international comparability.

In my report last year I observed that the financial crisis had highlighted that for global financial markets to operate effectively the financial reporting requirements must be the same for all entities. If the requirements are not the same, entities, or jurisdictions, will seek regulatory arbitrage by trading off the differences. It is an observation that remains valid today. A single set of high quality global accounting standards remains our goal.

Global financial reporting standards

The IFRS community continues to grow. I was delighted that a roadmap for the adoption of IFRSs in Japan was approved by the Japanese Financial Services Agency in June 2009. The roadmap permits early adoption of IFRSs by listed companies for fiscal years beginning 1 April 2009. Brazil adopted IFRSs from 2010, and in the next two years Argentina, Canada, India, Indonesia, Korea, Malaysia, Mexico and Singapore will also be adopting IFRSs,

On 24 February 2010 the US Securities and Exchange Commission (SEC) voted unanimously to issue a statement affirming its support IFRSs. The SEC confirmed its long-held plan to make a decision in 2011 on whether to incorporate IFRSs into the financial reporting system for US public companies. The SEC also issued a work plan outlining the information it will need to enable it to make that decision.

The IASB's technical agenda

We have an ambitious and challenging technical agenda. It is dominated by projects that are included in our Memorandum of Understanding (MoU) with the US Financial Accounting Standards Board (FASB). The MoU projects will overhaul financial reporting in IFRSs and US GAAP for financial instruments, revenue recognition, the liability/equity distinction, and leases. We also have a more general project that will shape the way the financial statements are presented and we are making narrower but important improvements to the reporting of pensions, consolidations, derecognition and joint ventures, and how to assess 'fair value'.

Our agenda also includes other projects that are important to many jurisdictions applying, or intending to apply, IFRSs. Those projects include insurance, emissions trading schemes and non-financial liabilities.

Working with the FASB

In October 2009 we held our third joint meeting of the year with the FASB. The outcome was a renewed and shared commitment by the boards to make improvements to the financial reporting topics included in our MoU. We produced a comprehensive plan, which we are updating every quarter, that outlines how we expect to complete each of the MoU projects..

We are now holding meetings with the FASB every month, rather than three times a year. These extra meetings help us to understand the thinking processes when the boards reach different conclusions, which helps us address those differences.

The importance of June 2011

Our work programme is focused on completing the MoU projects, and insurance, by 30 June 2011. Some commentators have suggested that the scale of the programme and the timetable are too ambitious. While I agree that the programme is ambitious it is achievable and the focus on a completion date of 30 June 2011 is important.

The G20 has urged us to complete the MoU projects by that date and many major economies have selected 2011 or 2012 as the year to adopt IFRSs on the basis of a completed programme. More recently, the SEC's work plan for adopting IFRSs is premised on the completion of the MoU projects by then.

I want to emphasise that our primary focus remains on making significant improvements to financial reporting. The Board will not issue a new standard unless it is an improvement over its current requirements. As we have shown with IFRS 9 *Financial Instruments* we can finish expeditiously a high quality standard, with significant outreach work included, that garners respect internationally.

Indeed, I believe that defined targets and deadlines impose discipline and enable us to deliver much needed improvements sooner rather than later. We also know that the appetite for constant and major changes to IFRSs would be tested if we extended the timetable.

Nobody said that completing the MoU projects would be easy. When the IASB, FASB, SEC and European Commission agreed on which projects would be covered by the MoU they were addressing the areas where the most substantial improvements in financial reporting were needed, both in IFRSs and US GAAP. By their nature, most of those projects are difficult and, potentially, contentious. But that makes their successful completion all the more worthwhile.

Managing transition

We know that our technical agenda will put pressure on some entities, and on jurisdictions that must pass IFRSs into law, as we expose proposals for comment and complete our projects. Recognising these concerns, the Board decided to limit the dates when new requirements take effect to two points during any given year—1 January and 1 July. The Board also decided that major projects completed in 2010 will not take effect before 1 January 2012 and those completed in 2011 will not be mandatory before 1 January 2013. It is possible that some IFRSs will have an even later effective date. These steps are designed to give those working with IFRSs assurance that we will provide adequate time for them to make the systems or regulatory changes necessary to manage the transition to the new requirements.

We know that some jurisdictions switching to IFRSs want to be able to adopt any new requirements early so that their entities can apply IFRSs in one 'big bang'. However, some who use financial statements would prefer not to allow early adoption. We will be consulting the IFRS community in April 2010 about steps we can take to make the transition to new IFRSs easier.

Enhanced stakeholder engagement

In developing a high quality and broadly accepted solution regarding the classification and measurement of financial assets (now IFRS 9 *Financial Instruments*), we conducted a consultation process that was unprecedented in its global scale and outreach activity. Round-table discussions were held in Asia, Europe and the United States. Interactive webcasts, each attracting thousands of registered participants, were made, often on a weekly basis. In addition, more than a hundred meetings were held with interested parties around the world during a period of four months. We have added many of these outreach activities to our other projects.

Investors

We have taken additional steps to engage with investors. We have appointed an Investor Relations Manager to work with the investor and analyst communities. At meetings of the Advisory Council we have special sessions to meet Council members from the investor community.

Prudential supervisors, market regulators and other stakeholders

In line with the G20's recommendations, we are, in drafting our proposals, taking account of the Basel Committee's guiding principles and the report of the Financial Crisis Advisory Group (FCAG). While recognising our commitment to investors as the primary users of financial information, we have, amongst other actions, already established an enhanced technical dialogue with prudential supervisors, market regulators and other stakeholders. This dialogue will ensure their deeper input in the development of new standards. We continue to have regular meetings with the Basel Committee and we are a member of the Financial Stability Board, where financial reporting issues are discussed regularly.

The national standard-setters are our partners in seeking to remove differences in accounting, worldwide. Although we meet the FASB more frequently than any other standard-setter, that does not diminish the importance of other national standard-setters. We hold two joint meetings with the Accounting Standards Board of Japan each year, one each in London and Tokyo. We have strengthened our interaction with the Chinese Ministry of Finance and will hold formal meetings at least twice a year. Board members also attend meetings with the European Financial Reporting Advisory Group (EFRAG) and other national standard-setters, including those of Australia, Canada, France, Germany, New Zealand, South Africa and the UK. Board members also attend regional conferences, including the recently formed Asia-Oceania Standard Setters Group as well as meeting national standard-setters in Europe, Asia and South America.

Acknowledgements

We are an international organisation that depends on the contributions and efforts of many people and many other organisations around the world. I and my fellow Board members greatly appreciate the help and advice we receive from the many volunteers and well-wishers who give so generously of their time and expertise to the Board. We are particularly grateful for the extraordinary time given by members of our working and advisory groups.

The way the technical staff have responded to the demands placed on them has been exceptional. They know how challenging the months leading up to June 2011 will be but they are committed to the process of improving financial reporting globally.

Alan Teixeira (Technical Activities), Gavin Francis (Capital Markets), Peter Clark (Research), Michael Stewart (Implementation Activities), Wayne Upton (International

Activities) and Paul Pacter (Standards – SMEs) form the team of directors who lead the development of the technical agenda. They have worked tirelessly over the last year, and they know they still have much to do.

Of course the technical team does not work in isolation. The infrastructure that supports the technical activities feels the same pressures and has responded equally well. I am supported by a strong operations team led by our Chief Operating Officer Tom Seidenstein. Tom's strategic leadership has been critical over the last year. Tom's team has been instrumental in shaping many changes to our operating systems and, importantly, the development of an *Investors in People* programme. I am grateful to the continuing support I receive from the operational directors Michael Butcher (Editorial), Mark Byatt (Communications), Miranda Corti (Finance and Resources), Ken Creighton (IFRS Content Services), Olivier Servais (XBRL Activities) and Mike Wells (Education Initiative).

Closer to me are my personal assistant Janet Smy, the executive assistants, Kathryn McArdle, Ailie Burlinson and Jill Robinson and the Project Administrators Fiona Dunne, Katherine Maybin and Jennifer Wilson. Between them they provide me, the Board members and the technical staff with tireless support. I hope they, and all of the staff, realise how grateful I am for their efforts.

I must also thank my fellow Board members. I was saddened to have to bid farewell to Tom Jones and Mary Barth, who both retired from the Board after completing two terms. Tom has had a particularly long association with international standards and was instrumental in establishing the IASB. He has served so loyally as my deputy and, more importantly, as an adviser and friend. In their place, we welcomed Patrick Finnegan and Patricia McConnell, together with Amaro Luiz de Oliveira Gomes, our first Board member from South America.

To conclude, I want to record my special thanks to Gerrit Zalm, as Chairman of the Trustees, and to the other Trustees for their support, encouragement and advice.