

Trustees Roundtable on the Strategy Review

London 21 and 22 June 2010

This note highlights the key themes raised at the London round table session on the Trustees' strategy review.

Round table participants were supportive of the thrust of the Trustees review. Many noted that the review was timely and welcomed the extent of outreach and engagement with stakeholders. A number of stakeholders noted that the Trustees had taken their comments into account when issuing the second consultation document and expressed their appreciation.

In this context, participants highlighted the following issues:

- **Stewardship:** As in previous roundtables, there were a number of requests for the inclusion of stewardship in the mission and constitution of the Foundation.
- **Agenda setting and enhanced due process:** Trustees' recent enhancements to due process and engagement were welcomed.
- **Pace of standard-setting:** As in previous roundtables, participants recommended a slowing in the IASB's output. More time should be taken on fewer projects to give stakeholders a chance to adapt to the changes and give feedback.
- **Auditability of standards:** Some participants emphasised the need for standards to be written so that they are auditable and recommended closer co-operation with the International Auditing and Assurance Standards Board (IAASB) and accounting firms.
- **Governance Structure:** There was support for the three-tier structure.
- **XBRL:** Participants urged caution regarding the incorporation of XBRL into the formal standard setting process.
- **The Role of the IFRS Interpretations Committee (IFRIC):** It was noted that the Trustees need to review the effectiveness of IFRIC.
- **The Role of the IFRS Advisory Council:** Commentators suggested that the IFRS Advisory should have an enhanced role in supporting the Trustees and the IASB in their due process and oversight.
- **Need for a single consistent report:** A number of participants emphasised the need for a single consistent document which encompasses the recommendations of both the MB and the Trustees and provides clarity on the Foundation's governance and long-term strategy for the next decade.

Mission:

Purpose and Scope of Financial Reporting Standards

There was strong support for the mission of the Foundation, as currently drafted in the strategy paper. Almost all participants emphasised that the primary purpose of accounting standards is to provide information to investors to assist them in their resource allocation decisions. Efforts should be made to listen to the informed investors' voice during the

standard-setting process. A number of participants called for more granularity in defining the type of investor, favouring long term investors. However, there was significant discussion on whether the actual standard-setting process would change if “long term” investors were targeted rather than “short term” investors.

Specific comments on the detail included:

- **Alignment of the mission and the conceptual framework:** Similar to the earlier roundtables, some participants expressed the view that the conceptual framework needs to be included in the mission of the Foundation as a core principle.
- **Definition of “public interest”:** There should be a clear definition of the term “public interest”.
- **Co-operation with external bodies:** Some participants said that co-operation with investor bodies and stakeholders should be included in the mission of the Foundation.
- **Prudential Regulators:** A number of participants said that prudential regulators have no part to play in the setting of accounting standards.

Adoption of IFRSs

- **Adoption v Convergence:** Almost all participants said that the Foundation’s ultimate goal is adoption. Convergence plays a valuable part in that process, but it is not an end in itself.

Scope of the standards and IFRS activities

- The Foundation should clarify its long-term aspiration of whether it will seek to provide standards for the not-for-profit sector and the public sector. In particular, many argued for the IFRS Foundation to play a role in the not-for-profit arena.

Consistency of application and implementation

- **Divergence and inconsistency:** One participant noted that inconsistent application of IFRSs is the biggest challenge facing the IFRS Foundation. Interpretations will help to achieve greater consistency and protect the IFRS brand.
- **Co-operation with other bodies:** A number of participants noted that co-operation should be fostered with international bodies, for example IOSCO and the IAASB, regulators and national standard-setters. This would aid the consistent application of IFRSs and identify divergent practices around the world. In this regard, the MB also has a significant role to play.
- **Disclosure of inconsistencies:** Similar to the comments made at the Hong Kong roundtable, a number of participants said that disclosure of inconsistencies should be made at the regional/jurisdictional level rather than at the company level.
- **Role of the Foundation in identifying divergent practices:** One participant said that the Foundation should publicise divergent practices on its website. This will protect the IFRS brand and dispel misinformation. To achieve this, the Foundation should foster close co-operation with national standard-setters and regulators around the world.
- **Sufficient organisational capacity:** Whilst strongly endorsing the need to work closely with international bodies to identify inconsistent application of IFRSs, one

participant queried whether the Foundation has the resources to identify inconsistencies.

Governance:

Independent and publically accountable

There was strong support for the three-tier structure of the organisation. Within this, almost all participants agreed that the IASB must remain independent and the MB's current remit should not be extended.

A number of participants noted that the Trustees executed their due process thoroughly, but failed to communicate this adequately. This should be addressed.

Specific comments on the detail included:

- **Clarification of respective roles of Trustees and the MB:** A number of participants noted that there is need for the respective roles of the Trustees and the MB, and their interface, to be clearly defined so as to remove any confusion. Oversight of the IASB should remain the sole remit of the Trustees.
- **Representation on MB:** One participant said that the MB should be expanded to include members from developing countries and representatives from diverse sectors.
- **Trustee resources:** One participant was concerned that the Trustees are taking on increasing external responsibilities, leaving them less able to attend to their critical governance and oversight functions.
- **Trustee sub-committee Terms of Reference:** One participant said it would be helpful for the Trustee sub-committees to have terms of reference.
- **Relevant IASB experience:** One participant said that some of the IASB members should have small listed company experience since this group constitutes a wide stakeholder base.
- **Failure of due process:** One participant asked for clarification of what action, if any, would be taken if Trustees found that due process had not been followed.

Processes:

There was near universal support for the proposed improvements to the Foundation's due process, including greater consultation early on in the standard-setting process. There was also strong support for feedback to stakeholders, so that changes were understood and accepted. However, a number of participants noted that the Foundation was at risk of carrying out excessive due process, to the detriment of productivity. A balance needs to be struck.

Specific comments on the detail included:

- **Agenda setting consultation:** Many participants said that the Trustees' involvement in the agenda setting process is an important part of their oversight function.
- **Proportionality:** A number of participants said that effects analysis, field tests and other enhancements to due process were vitally important so that the cost-benefit of new standards could be fully appreciated. Constant changes to IFRSs are expensive for stakeholders. The MB should be charged with the duty of overseeing proportionality.

- **Dissenting views:** One participant said that it would be unhelpful to publicise dissenting views in the basis for conclusions document since this would prejudice the cohesion of the IASB.
- **Active Trustee observation of due process:** One participant said that Trustees should not merely monitor due process, but actively observe due process as it is being carried out.
- **Dedicated support:** A dedicated staff resource supporting the Due Process Oversight Committee and the Trustees' oversight would lend credibility to the process.
- **Research and academic representation on IASB:** There should be academic representation on the IASB. Outside bodies, such as the IAAER and the ICAEW, should support and augment the IASB's proposed research function. A number of participants were of the view that there was no need for the Foundation to create an elaborate dedicated research capacity, which would drain valuable resources.

Financing:

Ensuring financing that permits effective, efficient and independent operation

Most participants stressed that long term funding of the Foundation is essential to the viability of the organisation and the global adoption of IFRSs. Voluntary contributions should be minimised as much as possible in favour of long-term, compulsory, country-based contributions. The criteria specified by the Trustees were supported.

Specific comments on the detail included:

- **IOSCO assistance:** As was noted at the Tokyo roundtable, a participant recommended liaising with IOSCO to obtain assistance with the collection of country-based levy funding.
- **MB assistance:** A participant said that the MB has a key role to play in assisting the Trustees in obtaining stable, long-term funding.
- **Funding allocation:** A number of participants recommended funding from those countries that have adopted IFRSs, on the basis of proportionality such as GDP.

**London Strategy Review Round Table
Session 1 – 21 June 2011 15h00-17.30**

Present:

Robert Glauber	– Session chair and Acting Co-Chair of Trustees
Sam DiPiazza	- Trustee
Harvey Goldschmid	- Trustee
Hans Hoogervorst	- Chairman designate of the IASB
Tom Seidenstein	- Chief Operating Officer
Miranda Corti	- Director of Finance and Resources
Tamara Feldman	- Assistant Corporate Secretary

Participants:

Makoto Sonoda	- Monitoring Board observer
Obafunso A. Ayinoluwa	- AO Partners
Gerbert Everts	- APG/ICGN
John Hitchins	- PWC
Jeroen Hooijer	- European Commission
Paul Lee	- Hermes Equity Ownership Services
Marc Pickeur	- Basel Committee on Banking Supervision
Richard Martin	- ACCA
Henricus Seerden	- European Investment Bank
Brian Shearer	- Grant Thornton
Donna L. Street	- IAAER
Mary Tokar	- KPMG
Mark Vaessen	- FEE

**London Strategy Review Round Table
Session 2 – 22 June 2011 09h00-11.30**

Present:

Robert Glauber	– Session chair and Acting Co-Chair of the Trustees
Sam DiPiazza	- Trustee
Harvey Goldschmid	- Trustee
Bryan Nicholson	- Trustee
Hans Hoogervorst	- Chairman designate of the IASB
Ian Mackintosh	- Vice Chairman designate of the IASB
Tom Seidenstein	- Chief Operating Officer
Miranda Corti	- Director of Finance and Resources
Tamara Feldman	- Assistant Corporate Secretary

Participants:

Makoto Sonoda	- Monitoring Board observer
Kayode Ayinoluwa	- AO Partners
Andrew Buchanan	- BDO

Peter Chambers	- EFRAG
Peter Chidgey	- The Quoted Companies Alliance
Judith Downes	- G100
Gerard Ee	- Singapore Accounting Standards Council
Bob Laux	- Microsoft Corporation
Jeff Mahoney	- Council of Institutional Investors
Lee Piller	- European Securities and Markets Authority
Veronica Poole	- Deloitte Touche Tohmatsu Limited
Nigel Sleigh-Johnson	- ICAEW
Leo Van der Tas	- Ernst & Young