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AGENDA PAPER 8

Report by David Tweedie, Immediate IASB Past Chairman

Quarterly Review

1. This is my last report to the Trustees of the IFRS Foundation. Much has changed since the early days in 2001 when the IASB replaced its part-time predecessor body, the International Accounting Standards Committee. At that time the fledgling IASB had a tiny office with only a few rooms, a dozen or so staff—about five of whom were technical staff—and inherited a set of International Accounting Standards (IASs) that only a handful of countries used. Now, at the time of writing, we have a technical staff of 55 and a support staff of 70 people, coming from 28 countries. Many international organisations claim to have a geographically diverse workforce, but few can match the IASB in this regard.

2. It has been my great good fortune, as the first chief executive of the Foundation and Chairman of the Board, to have worked with colleagues of immense dedication, talent and skill in furthering our mission in the public interest. Their unwavering support, professionalism and hard work have been critical to our success, and I have the highest admiration for their achievements. Equally important, I do not think it would be sentimental to describe us as an extended family that, despite its expansion over such a short period, has somehow retained its original spirit, enthusiasm and unity.

3. I am sure that, in 2001, few foresaw that by the end of the decade IFRSs would be so widely adopted. Nor did many anticipate that in the same period such a new, and small, organisation would be able to manage such an extensive agenda and deliver so many improvements to international financial reporting.

4. The Board was initially set up as a 'think tank' to write a suite of standards from which countries could pick and choose to replace weaknesses in their own

standards. Our role changed completely in 2002 when the European Union, frustrated at more than a decade of effort to develop European accounting rules, instead decided to embrace international accounting standards by requiring the use of IFRSs from 2005.

5. Europe's experience of 25 (and now 27) sovereign nations, each with their own national accounting standards, simultaneously switching to IFRSs should offer some comfort to other jurisdictions concerned about their own transitional arrangements. First and foremost, despite the instance of IAS 39 and some perception in other parts of the world regarding EU IFRS adoption, endorsement of required IFRSs has gone smoothly and without alteration. Recent research has shown that, in addition to raising the quality of financial reporting across Europe, switching to IFRSs has delivered improvements in financial reporting even for those countries with advanced financial reporting requirements, such as the United Kingdom. In the wake of Europe's decision, Australia and New Zealand quickly moved to the adoption of IFRSs, followed in 2007 by China, which did not adopt on a 'word for word' basis but whose requirements are now very close to IFRSs. In 2008 Israel, 2009 Chile, and 2010 Brazil adopted IFRSs to be followed by a host of other countries in the next two years, namely, Canada, Indonesia, Korea, Malaysia, Mexico, Singapore and Taiwan. At present some 123 countries either require or permit use of our standards and if favourable decisions are achieved in Japan and the United States the number of adopting countries could rise very quickly to over 150. The tipping point is then achieved, and the world has in effect committed itself to global financial reporting standards.

The importance of global standards

6. I recall that when I wrote my first annual report we were in the midst of the Enron scandal and other corporate governance failures. Now, as I write my last report to the Trustees, the chapter on a financial crisis that brought to question the quality of financial reporting by banks and governments has not yet closed.

7. Each financial crisis is followed by understandable calls for improvements to financial reporting and the elimination of differences. The same was true of the Asian financial crisis in the 1990s and before that the US Savings and Loans

crisis of the 1980s. However, where previous financial crises have been national or regional in both cause and effect, this latest one is truly global. While the global free flow of capital has been evident for more than a decade, global financial regulation, and with it international financial reporting, is playing catch-up.

8. It was with this in mind that our joint work with the US standard-setting body, the Financial Accounting Standards Board (FASB), began in 2002 with the Norwalk Agreement and became formalised in the Memorandum of Understanding (MoU) agreed with the US Securities and Exchange Commission (SEC) and the FASB in 2006. The objective of the Memorandum was to demonstrate to the United States that US GAAP and IFRSs were converging and to enable the SEC to remove the requirement for foreign companies listed in the United States to reconcile their IFRS financial statements to US GAAP.

9. In 2007 the SEC removed the reconciliation requirement and went further still by initiating a work plan that would pave the way for the SEC to consider allowing domestic US companies to use IFRSs. In 2008 we updated the MoU, setting ambitious goals to complete a combination of focused and comprehensive projects designed to deliver improvements to IFRSs and US GAAP, and in so doing bridge the gap between our respective standards.

10. We must not lose sight of the benefits of global standards. The US roadmap for incorporation of IFRSs into US GAAP is imminent. That and the decision by the Japanese Financial Services Agency are the last big steps towards making this a reality.

11. **Completing the remaining convergence projects**

As I write this report, we have all but completed the short-term projects identified for action in the MoU and, of the longer-term projects, only three of the priority convergence projects remain for which the boards have yet to finalise the technical decisions—financial instruments, revenue recognition and leasing.

12. It is no surprise that these three remaining longer-term convergence projects represent some of the most challenging areas of financial reporting for standard-setters.

13. Most of the short-term projects necessitated one of the boards to revise its requirements to align them with those of the other board. Other projects, such as share-based payment, required both boards to issue revised standards.

	Project	Board	Status	Milestone
1	**Share-based payments**	Both	Completed	Substantially converged standards issued in 2004.
2	**Segment reporting**	IASB	Completed	IFRS 8 *Operating Segments* issued in 2006.
3	**Non-monetary assets**	FASB	Completed	FASB converged on the treatment of certain non-monetary exchanges to require recognition at fair value unless the transaction lacks commercial substance in FAS 153, *Nonmonetary Assets*, issued in 2004.
4	**Inventory accounting**	FASB	Completed	FASB converged on the treatment of excess freight and spoilage in FAS 151, *Inventory Costs*, issued in 2004.
5	**Accounting changes**	FASB	Completed	FASB converged on the treatment of voluntary changes in accounting policy by requiring retrospective application in FAS 154, *Accounting Changes and Error Corrections*, issued in 2005.
6	**Fair value option**	FASB	Completed	FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, issued in 2007, introduced the fair value option into US GAAP.
7	**Borrowing costs**	IASB	Completed	Revised IAS 23 *Borrowing Costs* in 2007.
8	**Research Costs**	FASB	Completed	FAS 141R, *Business Combinations*, issued in 2008, amended the accounting for acquired R&D.
9	**Non-controlling interests**	FASB	Completed	FAS 160, *Noncontrolling Interests in Consolidated Financial Statements*, issued in 2008, eliminated the use of mezzanine presentation of non-controlling interests.
10	**Joint ventures**	IASB	Completed	IFRS 11 *Joint Arrangements* issued in May 2011.
11	**Income tax**	Both	Reassessed as a lower priority project. No immediate action.	IASB exposure draft published in 2009.
12	**Investment properties**	FASB	In process.	The FASB plans to issue an exposure draft in July to bring US GAAP closer to IFRSs.

14. The boards also have a project in progress to develop a joint *Conceptual Framework for Financial Reporting*. In 2010 the boards published chapters on objectives and qualitative characteristics.

15. With the exception of the three remaining priority MoU projects, the following schedule details the progress of the IASB and the FASB MoU projects:

	Project	Status	Milestone
1	**Business combinations**	Completed	Joint requirements for business combination accounting and non-controlling interests issued in 2008—IFRS 3 *Business Combinations* and revised IAS 27 *Consolidated and Separate Financial Statements*.
2	**Derecognition**	Completed	Each board has introduced reforms, substantially aligning the disclosure requirements and bringing US GAAP accounting requirements closer to IFRSs.
3	**Consolidated financial statements** (including disclosure about off balance sheet risks)	Completed	IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities* issued in May 2011.
4	**Fair value measurement**	Completed	FAS 157 *Fair Value Measurements* issued in 2006. IFRS 13 *Fair Value Measurement* issued in May 2011.
5	**Post-employment benefits**	Completed	Amendments to IAS 19 *Employee Benefits* issued in June 2011.
6	**Financial statement presentation—other comprehensive income**	Final stages—IFRS and US GAAP amendments to be issued in June 2011. Further consideration on other aspects of Financial Statement Presentation are not expected before December 2011.	Amendments to IFRSs and US GAAP for presentation of other comprehensive income to be issued in June 2011.
7	**Financial instruments with the characteristics of equity**	Reassessed as a lower priority project. Further consideration is not expected before December 2011.	Joint discussion paper published in 2008.
8	**Intangible assets**	The IASB decided not to proceed with the project, but will reconsider it when it sets its new agenda.	The IASB considered an agenda proposal to add a project on intangible assets in December 2007.

16. Completing the MoU projects is an important step to having IFRSs adopted by the US. The more we can reduce the differences between IFRSs and US GAAP the easier it will be for US entities to adopt IFRSs.

17. In May the SEC released an update to its work plan, outlining how IFRSs could be incorporated into US GAAP. The SEC staff have been making a careful and

thorough assessment of the different ways that IFRSs can be incorporated into the US legal system. The reports continue to be exploratory and open to different approaches. We expect the SEC to provide much more clarity about US adoption towards the end of the year.

18. The sections that follow outline the main developments in the recently completed and remaining projects on the agenda.

The financial crisis projects

19. The Board has put considerable effort into addressing concerns raised by users, preparers, politicians, regulators and other financial market participants about:

    (a) the complexity of IAS39 *Financial Instruments: Recognition and Measurement*;

    (b) the effectiveness of the incurred loss model for loan provisioning;

    (c) off-balance sheet risks, in particular those related to securitisations (derecognition) and special purpose vehicles (consolidation); and

    (d) fair value measurement of assets especially when markets became illiquid.

Financial Instruments

20. Our efforts to improve our requirements and to reach a common solution have been complicated by differing imperatives that pushed our development timetables out of alignment. In particular, the IASB has been replacing its financial instrument requirements in a phased approach, whereas the FASB developed a single proposal. Those differing development timetables and other factors have contributed to the boards reaching different conclusions on a number of important technical issues.

21. Our broad strategy for addressing those differences remains the same—each board has been publishing its proposals while also soliciting comments on those of the other board, as a way of giving interested parties the opportunity to compare and assess the relative merits of both boards' proposals. Together we will consider the comment letters and other feedback that we receive, in an effort to reconcile our differences in ways that foster improvement and

convergence. For some parts of the project—impairment and offsetting—the boards have been able to align their timetables and work together, developing joint exposure drafts.

Classification and measurement

22. IFRS 9 *Financial Instruments* has been developed in phases. The classification and measurement and derecognition requirements have already been endorsed in many jurisdictions. However, we continue to receive requests, particularly from some European organisations, to reopen aspects of IFRS 9. In particular, some parties would like the IASB to consider reintroducing bifurcation of financial assets and re-introducing some notion of 'available-for-sale' financial assets. On the other hand, many organisations, including some European ones, have told us *not* to reopen the classification and measurement parts of IFRS 9.

23. The IASB will continue to receive these competing pressures until the FASB has finished its deliberations on classification and measurement. The FASB has already stated publicly that it believes amortised cost is an appropriate measurement basis for some financial instruments. However, the FASB has still to determine how many classification categories it will require or whether it will retain its existing bifurcation rules.

24. Once the FASB has made its decisions about classification and measurement, the Board will assess how best to expose the FASB's final conclusions to seek views on whether the Board will need to consider how, or indeed if, it should bridge or reconcile any differences between IFRS 9 and US GAAP. Any such assessment now would be premature because the FASB has not developed its model fully.

Impairment

25. In late January the Board published, with the FASB, a supplement to the December 2009 exposure draft. The supplement presented an impairment model that the boards believed would enable them to satisfy at least part of their individual objectives for impairment accounting while achieving a common solution to impairment.

26. The boards received 212 comment letters and views were mixed. Many respondents would prefer the IASB's simplified proposals—seeing the addition

of a floor (which came from the FASB model) as a complication. Others prefer aspects of the US model (which recognised expected losses for the 'foreseeable future'). In May the boards established a task force of staff and board members to work on the model. Both boards recognise the importance of this phase of the financial instruments model and the need to reach a common solution. The boards will be discussing a potential model in June.

Hedge accounting

27. In December 2010 the Board published proposals to revise hedge accounting, for both financial and non-financial exposures. Comments were due by 9 March 2011. During the comment period, staff and Board members undertook outreach activities in five continents, meeting over 2,500 people in small group meetings and discussion forums. The Board received 233 comment letters, a summary of which was presented to the Board in March.

28. There was strong support for the proposals, with respondents welcoming the Board's approach to address hedge accounting comprehensively. They also agree with the principle-based approach proposed in the exposure draft, with many commenting that they thought the proposal would resolve many of today's practice problems in applying IAS 39 *Financial Instruments: Recognition and Measurement*.

29. The exposure draft published in December was concerned with general hedge accounting and did not address portfolio hedges. In February an expert in financial instruments joined the hedge accounting team on secondment from a major accounting firm, to work on proposals for portfolio hedges. The Board expects to resume its public discussion of portfolio hedges in April and to more fully develop its proposals related to portfolio hedging before it finalises the more general hedging requirements. The Board also expects to publish an exposure draft for portfolio hedging later this year.

Balance sheet netting of derivatives and other financial instruments

30. In late January the boards published a joint exposure draft proposing changes to IFRSs and US GAAP that would align the reporting of offsetting financial assets and liabilities. The boards received 162 comment letters. Views were mixed. There is broader support for the proposals from those applying or moving to

IFRSs than those currently applying US GAAP. Some respondents would prefer us to allow more netting (which would be closer to current US GAAP) while others think it is better not to allow netting other than in restricted circumstances. The project itself is not difficult from a technical accounting perspective, but the financial reporting consequences of reaching a shared solution with the FASB will be significant for many entities.

31. In June 2011 the IASB and FASB reached different conclusions—the IASB voted 15-0 to affirm the proposals whereas the FASB voted 4-3 not to proceed as proposed. The boards are examining ways to reconcile those differences.

Consolidation

32. On 13 May 2011 the IASB issued IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities*. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. It replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued amended and retitled IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. The new requirements are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

33. The FASB is preparing to expose the principal-agent sections of the IFRS 10 model. If they finalise the proposals, some small differences will remain between the IFRS and US GAAP in relation to voting interest entities. US GAAP will continue to allow some entities controlled by votes not to be consolidated. The FASB chose not to implement the full IFRS model now, but to review application of IFRS 10. Despite this gap, the changes made by both boards align the recognition and disclosure requirements for the areas that caused the greatest concern during the financial crisis.

Fair value measurement

34. On 13 May 2011 the IASB issued IFRS 13 *Fair Value Measurement*. IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

35. The result is a definition of fair value that is the same in both IFRS and US GAAP. The IFRS (and US GAAP) also provide guidance on measuring fair value when markets are illiquid. IFRS 13 does not, and the FASB standard did not, introduce any new requirements about when to use fair value. The fair value standards are concerned only with how to measure fair value when it is required by an IFRS. The new requirements are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Other major projects

36. In addition to the financial crisis-related projects, the Board is working on three major projects. Revenue recognition and Leases are MoU projects being developed jointly with the FASB. The project on insurance contracts is not in the MoU, but the IASB has been working with the FASB with the goal of developing common requirements.

MoU projects

Revenue recognition

37. The IASB and FASB published a joint discussion paper in December 2008 that proposed a single revenue recognition model built on the principle that an entity should recognise revenue when it satisfies its performance obligations in a contract by transferring goods or services to a customer. That principle is similar to many existing requirements. However, the boards think that clarifying that principle and applying it consistently to all contracts with customers will improve the comparability and understandability of revenue for users of financial statements.

38. The project is critical to both the FASB and the IASB. US GAAP has a wide range of very detailed industry-specific requirements. The IASB has very general requirements that cause preparers to rely on US GAAP for specific

guidance. The project is intended to reduce the FASB's detailed guidance to consistent principles and to remove the need for IFRS users to refer to US GAAP.

39. The comment period closed on 22 October 2010 and the Boards received 971 comment letters (of which 247 are 'form' letters from entities in the construction industry). The boards held round-table meetings in London, San Francisco, Norwalk and Kuala Lumpur.

40. In December 2010 the boards began discussing the comments received on the exposure draft. The comment letters and round-table discussions showed strong support for the project generally. It is clear that there are two main issues to reconsider:

    (a) separating a contract; and

    (b) determining when goods and services are transferred to a customer.

41. The boards acknowledged that they needed to explain more clearly the principles behind these fundamental parts of the revenue recognition model, to ensure that the standard will be capable of being applied consistently across a wide range of contracts. Although many other issues were raised in the letters, the boards noted that most of these are likely to be capable of being addressed by simplifying the proposals so that the requirements are more operational.

42. In June the boards decided to re-expose their revised proposals for a common revenue recognition standard. Re-exposing the revised proposals will provide interested parties with an opportunity to comment on revisions the boards have undertaken since the publication of an exposure draft on revenue recognition in June 2010.

43. It was the unanimous view of the boards that while there was no formal due process requirement to re-expose the proposals it was appropriate to go beyond established due process given the importance of the revenue number to all companies and the need to take all possible steps to avoid unintended consequences.

44. Consequently, the boards intend to re-expose their work in the third quarter of 2011 for a comment period of 120 days.

Leases

45. The boards included a leases project in the 2006 MoU because both boards' highly similar standards need significant improvement. The objective of this project is to develop common lease accounting requirements that would improve financial reporting by ensuring that all assets and liabilities arising from lease contracts are recognised in the statement of financial position. The boards published a joint discussion paper in March 2009.

46. In August 2010 the boards published a joint exposure draft, proposing to bring lease obligations and the related asset onto the balance sheet of lessees. The comment period closed on 15 December and we have received 760 comment letters. The boards held round-table meetings in London, Chicago, Norwalk and Hong Kong.

47. In response to the comments received the boards have agreed on a revised definition of a lease to avoid catching what are widely perceived to be service agreements. The boards also believe the changes from the exposure draft they are proposing address concerns raised in relation to contingent rentals and renewal options.

48. In June the boards will consider the two remaining important parts of the project:

Lessors

The boards have tentatively decided not to pursue the performance obligation approach, a method that was not well received. In May the boards were split with a majority of the IASB preferring a partial derecognition model and a majority of the FASB preferring to retain the basic approach used today—with lessors distinguishing between finance (capital) leases and operating leases.

Lessees

The boards have decided that, as a principle, the (right of use) asset and related lease obligation should be recognised by a lessee. The boards had been considering different income recognition models for some, generally shorter term, leases. However, the boards have decided not to pursue that approach and to include instead an exception that permits lessees to use simplified requirements for leases that are for a relatively short period.

49. At the end of July, the boards are likely to assess whether the proposals should be re-exposed. If the boards conclude that re-exposure is not necessary at this stage, they intend to develop a review draft of the new standard (including application guidance and a basis for conclusions), which will be:

(a) made generally available, via the boards' websites, for interested parties to review;

(b) used as the basis for outreach with parties that are most affected by the proposed new requirements; and

(c) subjected to a detailed drafting review with selected parties.

50. The boards will consider the views they receive from these steps to assess whether they can proceed to finalise the standard, whether additional work is required or whether re-exposure is necessary at that point.

Financial statement presentation

51. On 16 June the Board issued amendments to IAS 1 *Financial Statement Presentation.* These amendments improve how we present components of other comprehensive income. The FASB issued equivalent requirements on the same day. Even though the improvements to IAS 1 are important they are not as significant to the improvements to US GAAP. The US will now have comprehensive income presented in one, or consecutive, statement(s).

Post-retirement benefits

52. On 16 June the Board issued amendments to IAS 19 *Employee Benefits*. The amendments will improve the recognition and disclosure requirements for defined benefit plans. The new requirements are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. This completes one of the narrower scoped MoU projects.

Joint ventures

53. The Board delayed finalising its new standard addressing joint arrangements to ensure that the wording was aligned with the new *Consolidations* IFRS. In May 2011 the IASB issued IFRS 11 *Joint Arrangements*, which supersedes IAS 31 *Interests in Joint Ventures* and SIC-13—*Jointly Controlled Entities–Non-monetary Contributions by Venturers*. The new requirements are effective

for annual periods beginning on or after 1 January 2013, with earlier application permitted. This completes one of the narrower scoped MoU projects.

Non-MoU projects

Insurance contracts

54. IFRSs lack specific accounting requirements for insurance contracts. The IASB has had a major project on its agenda for many years to remedy that deficiency. In 2007, the IASB published a discussion paper, *Preliminary Views on Insurance Contracts*, and has been developing proposals on the basis of that discussion paper and in the light of comments received on it. In October 2008, the IASB and FASB agreed to work on the project together. The IASB published an exposure draft *Insurance Contracts* on 30 June 2010, which the FASB published as a discussion document in September 2010.

55. The IASB received 247 comment letters and the FASB received 74 comment letters. The boards held public round-table meetings in London, Norwalk and Tokyo in December.

56. The boards have been re-deliberating the issues since February. Unfortunately, the boards have reached different decisions on several aspects of the project. We will need to return to those matters if we are to develop common solutions.

57. There are two other challenges. The IASB has already published an exposure draft whereas the FASB has only published a discussion paper. The boards will need to assess how best to align the timetables so that the final standards are identical. Although having our due process steps out of sync does not prevent us from developing high quality solutions, it does make it more difficult, as the fair value measurement project demonstrates.

58. The other challenge is the relationship between the insurance contracts project and the financial instruments project. The IASB will need to ensure that the insurance contract IFRS and the financial instruments requirements (IFRS 9) work together.

Other projects

Annual Improvements

59. The Board will be issuing the next round of annual improvements before the end of June. The current cycle contains seven proposed amendments affecting five IFRSs. Each amendment was developed for the Board by the IFRS Interpretations Committee. The analysis and recommendation of the Interpretations Committee was discussed by the Board. In each of the cases the Board decided to publish an annual improvement proposal.

60. The Interpretations Committee recommended rejecting many requests for annual improvements. In each such case the Board reviewed the recommendation. In all such cases the Board concurred with the Interpretations Committee.

61. This batch of annual improvements was originally scheduled to be published in September 2010. However, the Board decided to delay publication because of the importance of completing other projects and because the annual improvements criteria were being reviewed.

Investment entities

62. In July the Board will publish an exposure draft proposing an exception to consolidation for investment entities. These entities manage and report their investments using fair value and, along with some users, argue that they should report their investments at fair value even when they control another entity. Such an exception has been part of Canadian and US GAAP for many years. The FASB will publish an equivalent exposure draft at the same time in an effort to simplify the criteria and align the requirements with IFRSs.

Effective dates and transition

63. In October last year the IASB published, with the FASB, a *Request for Views* seeking views on ways in which we can reduce the costs of applying new requirements. The consultation focuses on three areas:

    (a) the effective dates of new requirements—giving entities sufficient time to prepare and also considering whether entities prefer to deal with many changes at once or spread over two or more periods.

(b) early adoption—should early adoption be allowed?

(c) transition—should entities be required to go back and apply the new accounting for the comparative periods on which they report (the normal approach) or should more concessions be introduced, because of the larger than normal number of changes, to reduce the cost of the change?

64. The Board received 149 comment letters, a summary of which the Board discussed in March. In the last few months the two boards have been surveying users, seeking their views on whether, or how, to sequence effective dates for the major MoU projects. The Board expects to consider that additional feedback in July.

65. The nature of this consultation has changed since the request for views was released last October. The IASB recently published four new IFRSs for which it set an effective date of 1 January 2013. The Board considered the feedback it had received on the *Request for Views* before it set the dates. Those standards are now outside of the current consultation. At the time the consultation began the Board was also aiming to complete several major MoU projects by the end of June 2011. It is clear that the projects will be completed over a longer period than that envisioned last October. Although the Board will still need to coordinate effective dates and other transitional provisions, the challenge of dealing with several major projects being completed at the same time is not as significant.

Future agenda

66. At this meeting you have a draft of the *Request for Views* on the future agenda of the IASB. This draft reflects feedback the Board received from the Advisory Council when it discussed an earlier draft in the February meeting.

67. Once the Board has considered comments provided by Trustees the plan is to publish the consultative document in late July with a comment period of at least 120 days. The decision to publish in July, rather than some earlier date, is to make it clear that the consultation belongs to the new Board.

68. There is an IASB web page dedicated to this consultation, which includes links to the report sent to the Board by the IFRS Advisory Council report and to

information about the agenda-setting criteria. The World Standard-setters Conference in September includes a session focusing on the agenda consultation. We are also planning to have public round-table meetings after the comment period has ended.

Final thoughts

69. To a degree, the IASB has been a victim of its own success. As adoption of IFRSs has spread around the world, the IASB has had to evolve from a quasi-research house to an organisation that is, in effect, setting financial reporting law for more than 100 countries.

70. This transition has not been without its challenges. In addition to developing standards of the highest quality, the IASB has been required to work with interested parties around the world to ensure that all views are taken into consideration, and to facilitate a sense of ownership and buy-in to the final product. This is not always easy to do given that the number of countries using our standards is larger than the number of IASB staff.

71. The way the Board sets standards is also very different now from when it began our work in 2001. Back then, the Board would publish proposals and wait for the comment letters to come in. Today's standard-setting involves developing our proposals using real-time feedback from expert advisory panels, while seeking views before, during and after the formal comment period. The Board uses a variety of methods to encourage the broadest possible participation in the standard-setting process and hold public round table meetings and discussion forums around the world to solicit direct feedback.

72. At the end of this process, the Board publishes feedback statements that explain what it heard, how it responded and the rationale for the choices that it made. I am not aware of any comparable organisation that can claim to consult so widely or communicate so effectively with its stakeholders.

The future of financial reporting

73. I have fought long and hard to protect the integrity of the standard-setting process. I have also been driven by the belief that the global economy is best served by one set of high quality financial reporting requirements. The collapse

of Enron and its related corporate governance failures, the credit crisis and the financial crisis that followed have only strengthened my belief. The debates over individual financial reporting standards have shown that well organised lobby groups that have their own interests at heart pitch IASB and FASB requirements against each other. Their arguments can be simple and seductive to those less familiar with the transactions and activities to which the reporting requirements relate. I would rather that their energy was channelled into helping the Board set the highest quality accounting standards.

74. We know the Board does not work in a vacuum. Financial reporting standards are part of a complex system of capital markets and regulations. What the Board seeks to be is a strong and independent defender of transparency. Its main goal is to ensure that those who provide resources to businesses understand the financial implications of the risks and opportunities those businesses have and how those risks and opportunities are managed. Without high quality financial reports there can be a lack of connection between the risks investors think they are taking and those who have their funds are taking. That the Board has stood up to political pressure shows that it is willing to put the interests of investors ahead of vested interests.

75. I am delighted that the IASB is in such safe hands with Hans Hoogervorst and Ian Mackintosh who are set to take the helm. I know that they will do everything they can to protect the independence of the IASB.

Acknowledgements

76. I want to use this opportunity to acknowledge a few others.

77. Stepping down with me are Warren McGregor and Tatsumi Yamada. Warren was also a founding member of the G4+1 and, like Tatsumi, attended meetings of the Board's predecessor, so with their departure a link with the standard-setting past will be broken.

78. In my professional career I have never worked with such dedicated, professional staff composed of such delightful people. Bringing together all the strands of technical information and advice is the task of the technical staff, whose response to the heavy demands of the Board's work programme as we have neared our target date of June 2011 has been exceptional and unremitting. The

commitment of the staff to the achievement of the Board's goals and attempting to meet our target dates has been tireless and beyond the call of duty.

79. Alongside the technical team is the infrastructure team, whose support is also critical to the success of the organisation's work. I am grateful for their continuing support in driving forward the work of the organisation.

80. I want to make special mention of our editorial director, Michael Butcher, who also retired from the IASB at the end of June 2011. Michael edited every discussion paper, exposure draft, IFRS, interpretation and bound volume the IASB published over the last nine years.

81. And lastly, thank you to the Trustees, whose support and counsel has been vital for the organisation's welfare and independence. The untimely death of Tommaso Padoa-Schioppa was a terrible loss to the organisation, and I am grateful for the support and encouragement that the acting Co-Chairs, Aki Fujinuma and Bob Glauber, have given us in the period since then.