

Summary of the conclusions of the IFRS Foundation Trustees' meeting

July 2012, Washington DC

Welcome

Michel Prada, Chairman of the Trustees, welcomed Sir Callum McCarthy, who was attending his first meeting of the Trustees.

Report of the Chairman of the IASB

Hans Hoogervorst, Chairman of the IASB, provided the Trustees with an update on the IASB's activities. On the four main Memorandum of Understanding (MoU) and convergence projects, the Chairman felt that there was light at the end of the tunnel. While work on these projects would continue through to mid-2013, nearly all the substantive decisions on them had been taken by the IASB and the US Financial Accounting Standards Board (FASB).

On Financial Instruments, the IASB had agreed to make limited modifications to IFRS 9 on classification and measurement. The IASB's tentative decisions in this area further aligned the classification model in IFRS 9 with the FASB's tentative approach and addressed some concerns expressed by the insurance community. An Exposure Draft (ED) was anticipated to be issued towards the end of 2012. Discussions on impairment were largely complete, with an ED scheduled by the end of 2012.

On Leases, the Chairman reminded the Trustees that, at their April 2012 meeting, he had reported his concerns on this project. Since that meeting, the IASB and FASB had discussed the feedback received during outreach meetings, which had revealed strong support from users for lessees to recognise leases on the balance sheet. The IASB and FASB had also discussed the appropriate profit and loss profile for lessees and tentatively agreed that there should be two different expense recognition patterns for leases that would depend on the consumption of the underlying asset. The IASB and FASB were targeting the issue of EDs in the fourth quarter of 2012.

On Revenue Recognition, the Chairman believed that the IASB and FASB would end up in a converged position, with a final standard expected to be issued in early 2013.

On all the projects, the Chairman's view was that high standards of due process had been followed. The IASB had shown a clear commitment to due process, often going above and beyond the formal requirements, for example in re-exposing the proposals on Revenue Recognition. The IASB's due process would be further enhanced by the proposals in the draft *Due Process Handbook*, which would reinforce the development of evidence-based standard-setting.

The Chairman updated the Trustees on the progress the IASB was making in determining its future agenda, which would be for the IASB to determine now that the era of convergence was coming to an end. The IASB was revamping its institutional infrastructure to provide for a more inclusive approach to international standard setting, including proposals for setting up an Accounting Standards Forum. The Chairman noted that, at this pivotal moment, it would have been a good time for the US Securities and Exchange Commission (SEC) to make a decision on IFRSs. It was regrettable

that this would not happen soon, but given the critical mass that had been achieved globally, the Chairman remained confident that it was in the interests of the USA to embrace IFRSs in due course.

Report of the Chairman of the IFRS Advisory Council

Paul Cherry, the Chairman of the IFRS Advisory Council (AC), reported on the June 2012 meeting of the Council, which had been very productive. The participation at that meeting of a number of IASB members and Trustees had been much appreciated. The AC was looking to discuss topics that would add value to the organisation and would welcome agenda suggestions.

The AC Chairman highlighted a number of specific issues discussed at the meeting. On the IASB's agenda consultation, AC members had been highly satisfied with the process and the quality of the feedback. The AC was also broadly content with the tentative shape of the new agenda. The next step would be for the AC to consider specific proposals for standards-level projects.

The AC was also comfortable with the direction of the proposals contained in the draft *Due Process Handbook*, although there was some concern as to whether they might be too ambitious. A challenge for the IASB would be to manage the research programme and any expectations that it might create. The AC members supported the focus on consistent interpretation and application of IFRSs.

The AC discussed the external involvement of a range of stakeholders in the IASB's standard-setting process and supported the need for developing a new institutional infrastructure and networks. AC members also supported the proposal to carry out a survey to gather data on IFRS application around the world.

Report of the Chairman of the Due Process Oversight Committee

David Sidwell, the Chairman of the Due Process Oversight Committee (DPOC), reported on its July 2012 meeting with the leadership and directors of the IASB.

The DPOC received a report on some initial feedback that had been received on the draft *Due Process Handbook*, which was currently being exposed for public comment, which had highlighted support for the general direction of the proposals. On timing, the deadline for comments on the draft Handbook was 5 September. The plan was for a summary of the responses and the issues raised in them to be presented to the DPOC at its October meeting. A number of DPOC conference calls had been scheduled in November and December for follow-up discussions and the aim was to finalise the new version of the Handbook by the end of 2012.

The DPOC Chairman reported that the DPOC had reviewed a number of general reports, which had confirmed that, over the past year, all comment letters received in response to consultations and all papers for meetings of the IASB and IFRS Interpretations Committee had been made publicly available on the website. Another report highlighted the extent of the IASB's active dialogue with market and prudential regulators.

A further report had reviewed the IASB's existing consultative groups, recommending that a number be wound up. For those groups which remained active (on Insurance Contracts, Leases and Financial

Instruments), the IASB confirmed to the DPOC that they added value to the IASB's standard-setting activities, more through on-going dialogue than in formal meetings.

The DPOC Chairman reported that a comprehensive review of the IFRS for SMEs had been launched recently and that the DPOC had approved the re-appointment of the current membership of the SME Implementation Group (SMEIG) until 30 June 2014. The DPOC had indicated that it would consider proposals to further expand the SMEIG membership if that was thought appropriate.

At the meeting, the DPOC had also reviewed due process matters related to projects on the IASB's active agenda. The DPOC welcomed the reporting to the IASB of due process issues on each project and welcomed the development of this evidence-based approach. The DPOC had also discussed the process for the IASB determining whether or not to re-expose proposals and welcomed an undertaking by the IASB to document the rationale for such decisions more fully in the future.

The DPOC considered, and approved, a proposal to establish a working group from the international community, chaired by the IASB, to develop an agreed methodology for field testing and effect analyses.

On correspondence, the DPOC had reviewed a number of letters that had been submitted. One, from Business Europe, had raised some interesting general due process issues. One proposal was that DPOC meetings should be held in public. The DPOC would further consider this issue at its October meeting, but in the interim, it was agreed that a fuller report of DPOC meetings should be made available on the website. On another issue raised by Business Europe, the DPOC and the IASB representatives present agreed that *Effect Analyses* should be owned and signed off by the IASB. On *Feedback Statements*, the view was that these were communication documents which the IASB should have the flexibility to develop without requiring formal sign-off by the Board, but which would have to be consistent with formal IASB documents.

Finally, the DPOC Chairman reported that the DPOC had a full action list. The DPOC was comfortable that it had a good collaborative relationship with the IASB, and benefitted from the presence of IASB members and senior staff at its meetings. The DPOC was keen to have an effective due process that leveraged as far as possible on the metrics reported to the IASB and was not over-bureaucratic.

Update on the IFRS for SMEs

Paul Pacter, a member of the IASB, updated the Trustees on the IFRS for SMEs, focusing on a number of specific matters: the comprehensive implementation guidance programme on the standard that had been put in place; the status of adoption of the standard in Europe and the USA; a progress report on the recent launch of the comprehensive review of the standard; and the reappointments of the members of the SMEIG that had been approved by the DPOC. The Trustees noted the report and thanked Mr Pacter for his excellent work on the IFRS for SMEs.

Regional outreach activity

As part of the Trustees' meeting, the Trustees and the leadership of the IASB met with a number of key US stakeholders to discuss developments in the USA in determining whether and how to incorporate IFRSs into the US financial reporting regime.

Meeting with the IFRS Foundation Monitoring Board

The Trustees met with representatives of the Monitoring Board of the IFRS Foundation. The Monitoring Board is a body of capital market public authorities with responsibility for the approval of Trustee appointments and for ensuring the Trustees discharge their responsibilities in accordance with the constitution of the IFRS Foundation. As part of the meeting, the Monitoring Board and the Trustees provided an update on the progress they had made in following up the recommendations of their respective reviews of the governance and strategy of the organisation, which had been published in February 2012.

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