
International Accounting Standards Board

Refreshing our strategy— Generation 3 Agenda paper 2

Objective of today's discussion

- To update Advisory Council members on the IASB's strategy refresh—Generation 3
 - Ask advice Advisory Council members on whether there is a 'white space' in the IASB product mix
-



Background

Generation 3

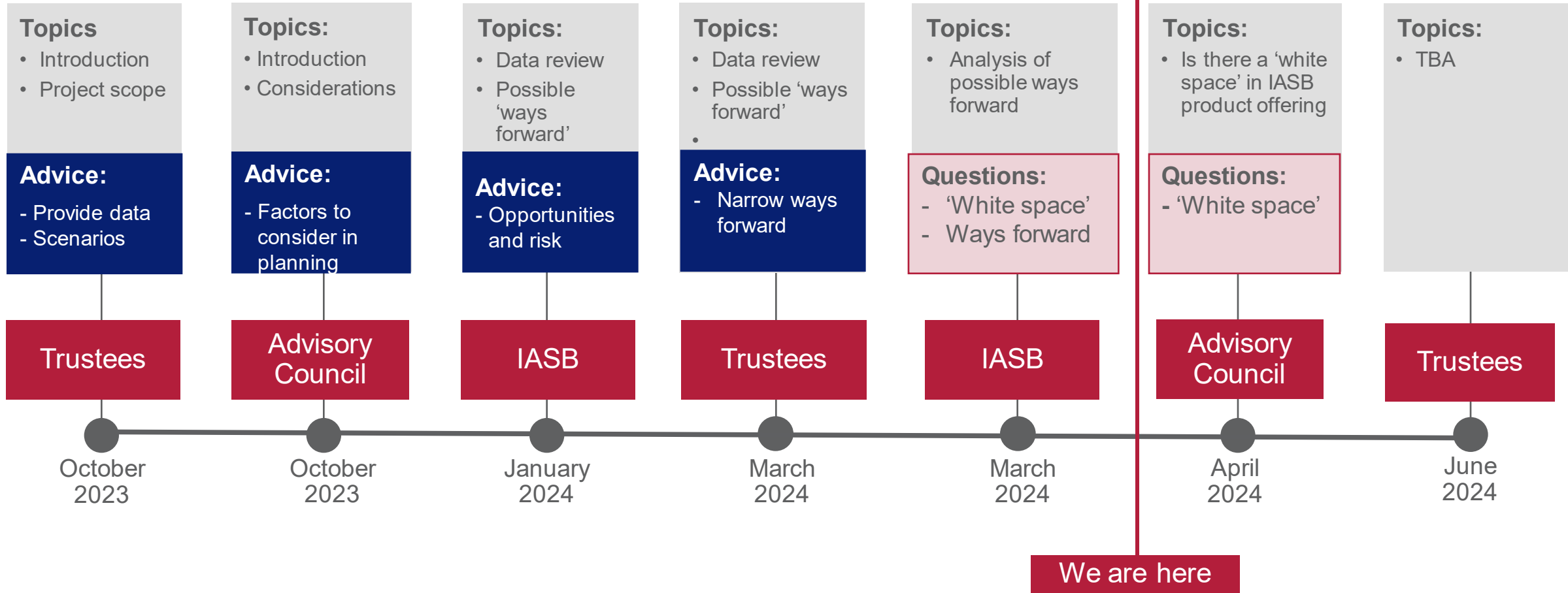
Over the last two decades, the IASB has established its credibility issuing IFRS Accounting Standards that are applied globally, whilst diversifying its activities to include supporting consistent application, the IFRS Taxonomy, and the *IFRS for SMEs* Accounting Standard.

As the IASB moves into its third decade what does success look like?

How do we achieve success? What activities should we start / stop / continue?

How do we measure success?

Project plan



Update—activities since our last meeting

Advisory Council – November 2023

IASB's past strategy and how it informs our next strategy

November 2023 Advisory Council meeting [here](#)

IASB 2002—2023: IASB strategy

Strategy

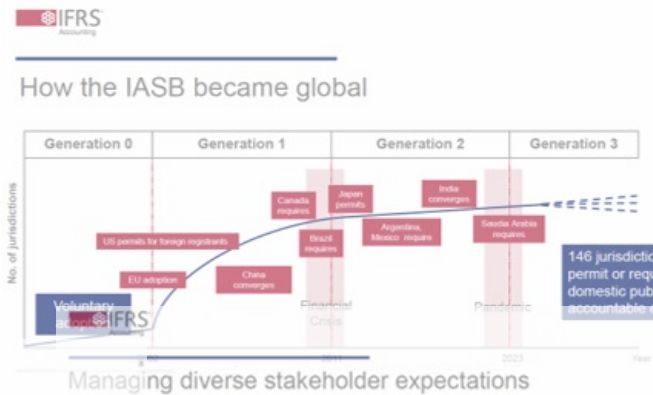
- Increase application → become global
- Respond to market demand

What has the market demanded?

- Facilitate 'global passporting' of cross-listed companies
- Facilitate foreign investment
- Fill reporting gaps of other (non-public) entities
- Facilitate consistent application
- Facilitate digital reporting

IASB 2002—2023: IASB strategy

We have no legal authority – strategy has been about winning hearts and minds



Generation 0	2000 International Accounting Standards Committee agrees to restructure itself into the IASB.
Generation 1	2002 EU announced a new law which would require IFRS Accounting Standards for consolidated financial statements of listed groups. In 2005 7,000 EU companies applied IFRS Accounting Standards for the first-time.
Generation 2	Rapid global application of IFRS Accounting Standards including Australia, Hong Kong, New Zealand, South Africa, Brazil, Canada, Chile, Israel, Korea. IASB issues IFRS 9 – IFRS 17 and revises <i>Conceptual Framework for Financial Reporting</i> . Expands work on supporting consistent application.



Economies	Developed	Emerging	Developing
Experience and resources of companies			
Market objectives (some unintended)	<ul style="list-style-type: none"> Reporting needs of other entities: <ul style="list-style-type: none"> Private company - capital attraction Statutory reports Tax accounting Global passporting Foreign investment <ul style="list-style-type: none"> Central bank financial reports Influence non-profit and public sector accounting 		
Professional objectives	For example, investors demand for information needs to be balanced with cost to preparers		

Success leads to challenges

Success

Globally applied IFRS Accounting Standards

Challenges

Areas for exploration in defining future success

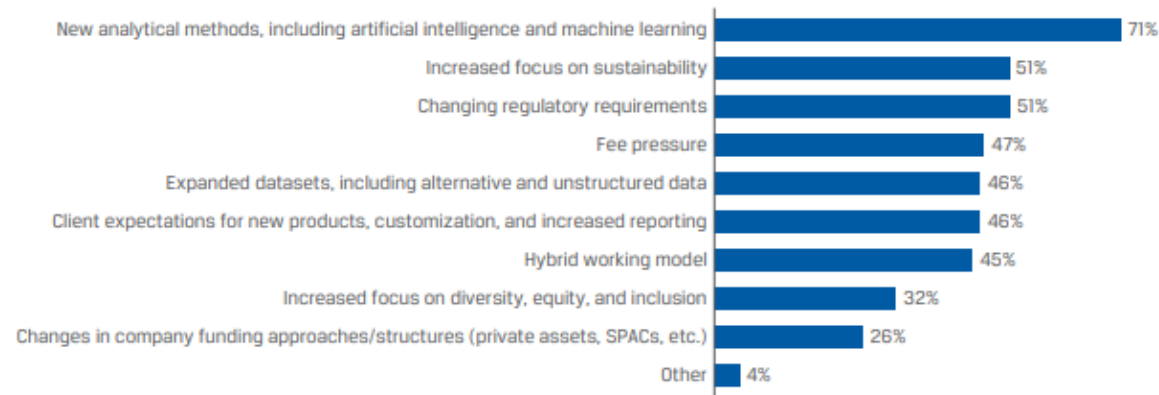
Is there anything else we should consider?

1	Do we understand status quo?	Adoption status and extent of application in jurisdictions
2	What is the market objective?	What purpose? Which entities? Can we learn from the ISSB?
3	Do IASB products and services meet the market objective?	High quality standards Application support Understandability
4	Implications of change	What are the consequences to our stakeholders and our organisation if we expand and/or curtail activities

Advisory Council: Factors to consider in planning

1. Rise of private markets
2. Digitization and artificial intelligence
3. Sustainability and impact investing

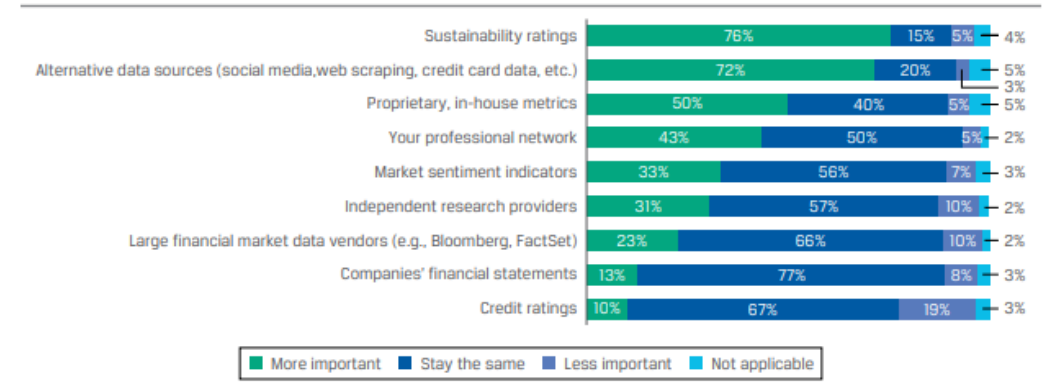
EXHIBIT 8. RESPONDENTS' ANSWERS TO THE QUESTION, "WHICH OF THESE INDUSTRY DISRUPTORS DO YOU EXPECT WILL SIGNIFICANTLY CONTRIBUTE TO THE CHANGE? (SELECT ALL THAT APPLY)"



Source: CFA Institute Skills and Careers Survey.

Source: CFA Institute Skills and Careers Survey 2021, CFA Institute "The Future of Work in Investment Management", 2022

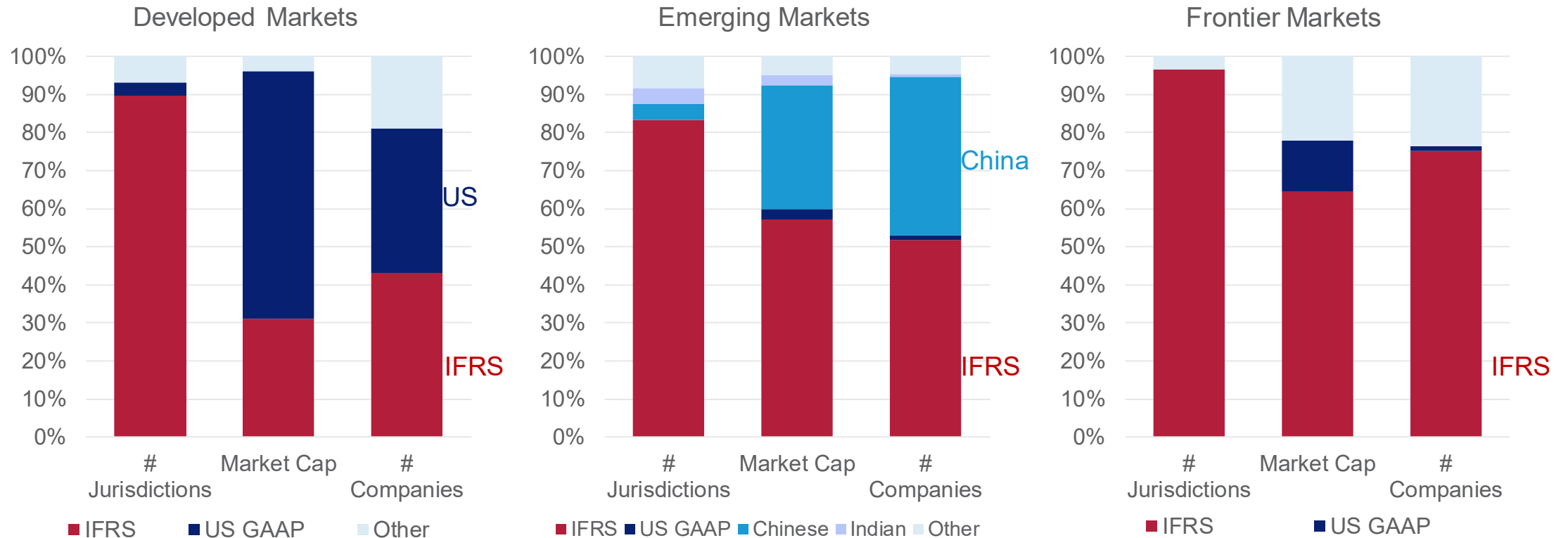
EXHIBIT 18. RESPONDENTS' ANSWERS TO THE QUESTION, "HOW IMPORTANT DO YOU EXPECT EACH OF THE SOURCES OF INFORMATION TO BE IN THE FUTURE FOR YOUR INVESTMENT DECISION MAKING?"



Source: CFA Institute Skills and Careers Survey.

Data: Adoption of IFRS Accounting Standards across markets


 Number of jurisdictions, companies
  Market capitalisation (esp. developed markets)

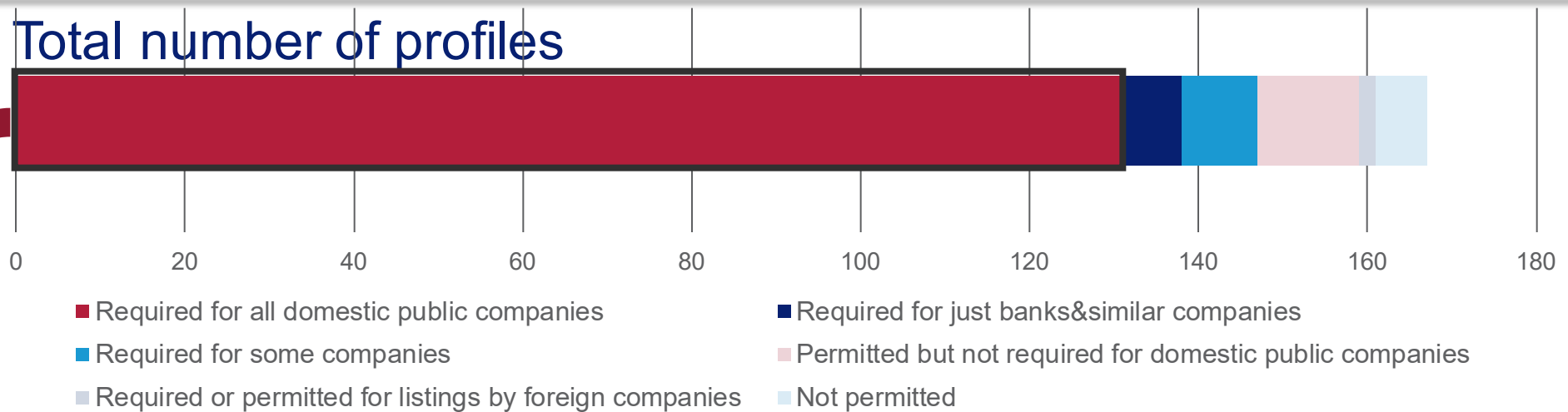


Source: S&P Capital IQ Pro Broad Markets Index, IFRS Jurisdictional Profiles

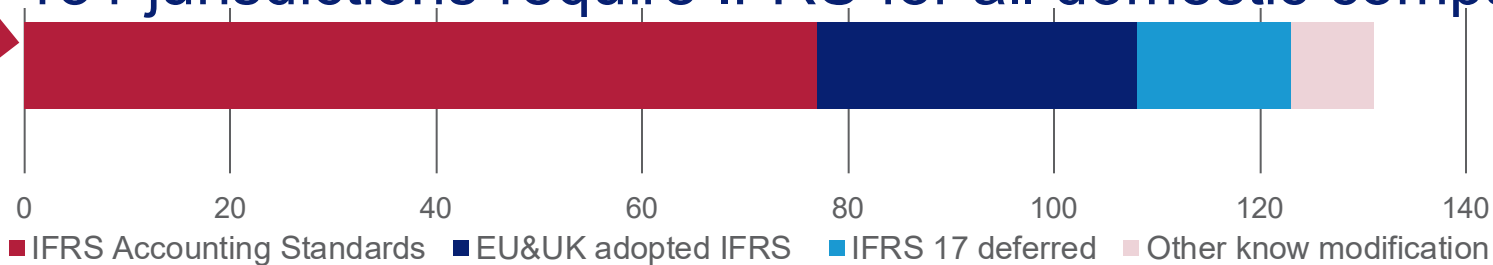
Data: Analysis of jurisdictional profiles

➔ **+** # of jurisdictions requiring/permitting IFRS Acctg Standards **-** # of modifications

Total number of profiles



131 jurisdictions require IFRS for all domestic companies—analysis



Data: Key messages

Financial Markets

Global investment pools are concentrated

Global investors have similar needs

Developed markets also largest recipients of cross-border investments

Debt and loan markets remain very domestic

Equity markets dominated by large companies in developed markets

Large number of small companies outside “investable markets”

IFRS Accounting Standards

Our purpose: Better information for better investment decisions

Significant economic benefits from adopting IFRS Accounting Standards

Take-up of IFRS Accounting Standards has been rapid

High adoption achieved, but is slowing

Many jurisdictions have modified or deferred standards and used beyond financial reporting

IFRS for SMEs

- Mainly adopted in emerging and frontier markets
- Identifying users can be challenging

Possible ways forward (under consideration)

1

Global markets

Concentrate on **facilitating global public investment access**

2

Private companies

Concentrate on **providing a better solution for private companies**

Existing products

- IFRS Accounting Standard
- IFRS for SMEs

See Appendix for more details



Questions for Advisory Council

Recap—products and services

Focus of today's
discussion

IFRS Accounting Standards

Designed to promote a global language to help with global allocation of resources

Subsidiaries without public accountability

IFRS for SMEs Accounting Standard

Based on IFRS Accounting Standards, simplified to reflect needs of users and resources of SMEs

Practice Statements

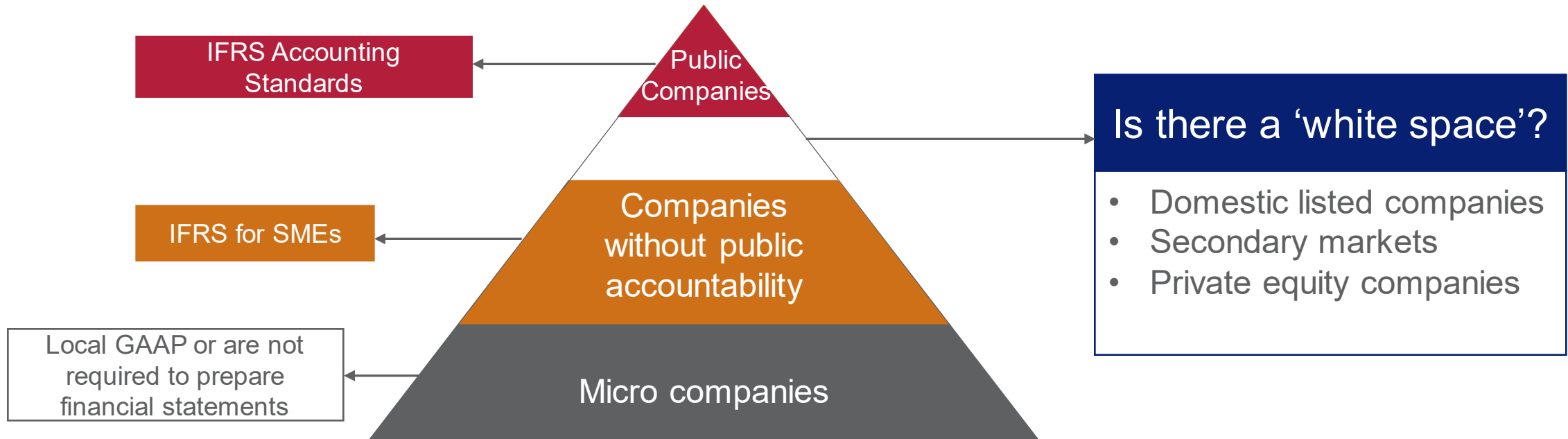
Management commentary

Materiality

Consistent application—active support on the practical application

IFRS Taxonomy—digital consumption of financial reporting

Is market structure changing?



Questions for Advisory Council

- Is there a sizable ‘white space’?
- What does the ‘white space represent’?
 - Domestic listed companies?
 - Secondary markets?
 - Private equity companies?
- Is there strong demand for the IASB to provide a solution?
 - Is solution a new product and/or education?

Mission Statement

Our mission is to develop high-quality IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world.

Our work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.

Appendix

Scenario 1:
 Concentrate on **facilitating global public investment access**

Description	Benefits (+) versus Risks (-)
<p>IFRS Accounting Standards:</p> <ul style="list-style-type: none"> • the global language for companies seeking international funding • focus on global listed companies (multi-national companies) and markets with international capital flows 	<ul style="list-style-type: none"> + Clear focus and link to sources of funding + Single global accounting language – Risk of marginalising many stakeholders – Is (full) convergence achievable? – Perception of lack of independence / dependency on a few large jurisdictions for funding
Possible changes to activities	Possible Key Performance Indicators
<ul style="list-style-type: none"> • Increase focus on convergence with US GAAP / reduce carve-outs and differences with Chinese GAAP, Indian GAAP • Increase focus on consistent application • Focus on jurisdictions with public markets 	<ul style="list-style-type: none"> • Adoption by market cap • Degree of convergence with US GAAP / Chinese GAAP / Indian GAAP • Measure of reduction of carve-outs/differences

Scenario 2:

Concentrate on **providing a better solution for private companies**

Description	Benefits (+) versus Risks (-)
<ul style="list-style-type: none"> • Provide financial reporting solution for both equity and debt investors • Acknowledge different cost-benefit trade-offs: private investors have better access to information 	<ul style="list-style-type: none"> + Consistent with public interest mission – Funding (driven by high demand) must be secured to ensure organisational capacity/knowledge – More products means more accounting languages, increasing risk to ecosystem (→ move away from full IFRS Accounting Standards)
Possible changes to activities	Possible Key Performance Indicators
<ul style="list-style-type: none"> • Expand product offering (eg 'IFRS-light' for large SMEs; simplified SME Standard for small private companies) • Increase education / capacity building to support implementation of IFRS for SMEs 	<ul style="list-style-type: none"> • Adoption of new product by jurisdiction

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