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
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?
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]
Advisory Council: Factors to consider in planning

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

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

<table>
<thead>
<tr>
<th>IFRS Accounting Standards</th>
<th>IFRS for SMEs Accounting Standard</th>
<th>Practice Statements</th>
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<tbody>
<tr>
<td>Designed to promote a global language to help with global allocation of resources</td>
<td>Based on IFRS Accounting Standards, simplified to reflect needs of users and resources of SMEs</td>
<td>Management commentary</td>
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<td>Subsidiaries without public accountability</td>
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<td>Materiality</td>
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<td><strong>Consistent application</strong>—active support on the practical application</td>
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<td><strong>IFRS Taxonomy</strong>—digital consumption of financial reporting</td>
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Is market structure changing?

- Micro companies
- Companies without public accountability
  - Local GAAP or are not required to prepare financial statements
  - IFRS for SMEs
- Public Companies
  - IFRS Accounting Standards
- Is there a ‘white space’?
  - Domestic listed companies
  - Secondary markets
  - Private equity companies
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.
## Scenario 1:
Concentrate on facilitating global public investment access

**Description**

IFRS Accounting Standards:
- the global language for companies seeking international funding
- focus on global listed companies (multi-national companies) and markets with international capital flows

**Benefits (+) versus Risks (-)**

+ 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**

- 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

**Possible Key Performance Indicators**

- 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

• Provide financial reporting solution for both equity and debt investors
• Acknowledge different cost-benefit trade-offs: private investors have better access to information

Benefits (+) versus Risks (-)

+ 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

• 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

Possible Key Performance Indicators

• Adoption of new product by jurisdiction