

FINANCIAL ACCOUNTING FOUNDATION

401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116 | 203-847-0700
Fax: 203-849-9714



December 27, 2012

Mr. Michel Prada
Chairman
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Proposal to Establish an Accounting Standards Advisory Forum

Dear Mr. Prada,

On behalf of the Board of Trustees of the Financial Accounting Foundation (FAF), I submit this response to the IFRS Foundation's November 2012 Invitation to Comment on its *Proposal to Establish an Accounting Standards Advisory Forum*.

Proposal to Establish the Accounting Standards Advisory Forum

The FAF Trustees believe that the IFRS Foundation's proposal to establish an Accounting Standards Advisory Forum (ASAF) comprising standard setters from around the world represents a constructive opportunity to share technical perspectives and promote a much higher level of cooperation among accounting standard setters.

The ASAF, as proposed by the IFRS Foundation, would create a formal mechanism for standard setters and other regional bodies to convene to "provide advice and views to the IASB on major technical issues related to its standard-setting activities and to provide input on national and regional issues." We concur that timely and in-depth discussion of technical issues by a group of highly competent standard setters could help promote the development of high-quality global accounting standards.

While the stated goal of the ASAF would be to advise the IASB on its proposals, we believe that a global standard-setting advisory group also could become a useful forum for sharing potential agenda items, research, proposals, and findings among national standard setters. Ideally, it should serve as an interactive roundtable for the benefit of all standard setters, where they will be able to bring to the table issues that are not currently on the IASB agenda but that might be under consideration by individual standard setters. Timely discussion of such issues by representatives of multiple jurisdictions can further foster convergence.

Membership

We appreciate the extremely difficult challenge of balancing the goal of limiting the size of ASAF membership to keep the discussion manageable with the goal making the group as inclusive and representative as possible. To ensure that the ASAF achieves its objectives, we believe that membership on the ASAF needs to include jurisdictions representing the world's major capital markets.

Mr. Michel Prada
December 27, 2012
Page Two

Nature of Commitment - Memorandum of Understanding

The FAF Trustees continue to believe that "although the pursuit of a single set of global accounting standards is a worthy objective, a more practical goal for the foreseeable future is to achieve highly comparable (but not necessarily identical) financial reporting standards among the most developed capital markets that are based on a common set of international standards."ⁱ

Requiring a written commitment to a single set of standards written by the IASB, in full and without modification, would exclude many jurisdictions from membership, including those where the standard setter does not have the final authority to adopt or endorse IFRS; those where IFRS has been adopted but has been modified; and those – including the United States – where no decision has been made regarding adoption or endorsement of IFRS. If an overarching goal of the ASAF will be to inform and improve IFRS for potential future use by such jurisdictions, we would encourage changes to the commitment that would allow the broadest possible participation in the ASAF process.

Participation by IASB Members

The proposal suggests that the IASB Chairman or Vice-Chairman, as well as an IASB member with specialist expertise, would participate in the ASAF meetings. We suggest that a critical mass of IASB members participate in meetings with the ASAF. This is necessary, in our view, to ensure that the ASAF becomes a strong technical discussion forum in which the IASB is directly involved in the technical debate.

Conclusion

In conclusion, the Trustees believe that the IFRS Foundation's proposal to create a global standard-setting advisory group would establish a new mechanism in which the FASB and other major market standard setters could share technical perspectives with the IASB. This has the potential to create a much higher level of cooperation among standard setters, leading to global standards that are more comparable and convergent. We encourage the IFRS Foundation to address the concerns discussed above as it refines its proposal for the ASAF.

Sincerely,



Jeffrey J. Diermeier
Chairman
Board of Trustees
Financial Accounting Foundation

ⁱBoard of Trustees, Financial Accounting Foundation *Comment Letter to the Securities and Exchange Commission on SEC Staff Paper, Exploring a Possible Method of Incorporation* November 15, 2011