

IFRS Foundation
To the attention of the Trustees
30 Cannon Street
London EC4M 6XH
United Kingdom

strategyreview-comm@ifrs.org

8 March 2011

FINAL COMMENT LETTER

Dear Sirs,

Re: Status of Trustees ‘Strategy Review’

On behalf of the Supervisory Board of the European Financial Reporting Advisory Group (EFRAG), I am writing in response to a request from the IFRS Foundation Trustees (‘the Trustees’) to respond to the paper for public consultation *Status of Trustees ‘Strategy Review’*.

EFRAG appreciates the opportunity to provide input to the Strategy Review. We welcome the Trustees’ intention for a comprehensive review of the strategy of the organisation. Before introducing recommendations for further improvement, we wish to commend both the IFRS Foundation and the IASB for improvements brought to the IASB due process over the years and for the level of transparency at which the IASB presently operates.

EFRAG believes that strong coordination and cooperation between the IFRS Foundation Trustees and the Monitoring Board is essential for the overall governance of the Foundation. Therefore, it would be desirable for the Trustees and the Monitoring Board to run their reviews in parallel, to coordinate feedback and have coordinated and integrated action plan to implement the necessary reforms as a result of both their reviews. EFRAG in this respect welcomes the comments made by the Monitoring Board in its “Consultative Report on the Review of the IFRS Foundation’s Governance” as issued on 7 February about the reviews being coordinated going forward, with a view to achieving an integrated package of proposals.

We focus in our response on the standard setting process that should result in high quality standards meeting the public interest. Ensuring high quality standards set in the public interest addresses the heart of the EFRAG working relationship with the IASB. EFRAG's main objective is to provide the European perspective on the international standard setting process to ensure that the resulting global standards are appropriate for use in Europe. We have addressed the governance aspects from this angle and have therefore not addressed the issues in relation to the division of the responsibilities and functions between the Trustees and the Monitoring Board in the governance of the Foundation. The quality of the standard setting process has a significant influence on the ultimate acceptability of the resulting standards in Europe and elsewhere. With that purpose in mind, we wish to make the following recommendations, each of them being supported by a detailed analysis in the appendix to this letter:

1 - Public policy objectives should be considered insofar as they are compatible with financial reporting serving capital providers and other creditors' needs. We agree with Hans Hoogervorst that transparency of financial reporting serves financial stability.

2 - Independence of the standard setting process is key in order to ensure high quality of financial reporting standards. However, we observe that:

- Agenda setting is not only a technical issue; it should be a shared responsibility between the IASB and those exercising oversight;
- Oversight of the due process should include the review of how decisions made to arrive at a final standard or interpretation have been substantiated in technically.

To perform its oversight duties, the IFRS Foundation should be able to rely on a team of technical experts independent from the IASB. To participate in the agenda decisions the Trustees should make use of advisory bodies such as the IFRS Advisory Council and regional organisations such as EFRAG.

3 - While we support the objective of financial reporting as defined in the IFRS Constitution, we observe that:

- There is a clear need to define who users legitimately are, since proper identification of users' needs is proving difficult. The IASB should look after the interests of the whole user community,
- As only a few user representatives participate in the accounting debate, the IFRS Foundation should ensure that the IASB is not placed under de facto dominating influence(having in mind that user groups are representative of private interests) ,
- Priority should be given to providing useful information to long-term investors, when there may be a conflict between short-term and long-term perspectives. Long term investors are interested in sustainable value creation, and so is management or the issuer entrusted with the stewardship of the profitability potential of an reporting entity
- Comments received from issuers (and other stakeholders) have equal relevance to the standard setting process,
- Convergence of external and internal financial reporting benefits both users and issuers (it enhances the financial communication quality between users and issuers) and avoids proliferation of non-GAAP financial information.

Therefore, when users' needs are analysed as diverging from needs expressed by issuers, the standard setting process should fully justify why and how

divergences emerge and appropriate oversight should be exercised on those justifications.

4 - High quality standards are those which are well implemented and hence well understood. To that purpose:

- No fundamental change in principle should be made prior to genuine conceptual debate taking place and amendments to the Conceptual Framework being made,
- Pace of change should be reasonable so as to let issuers, users and other stakeholders manage, and adjust to, the change,
- Periods of stability in the accounting requirements should be granted, so as to support maximum consistency of financial information over time.

5 – High quality standards should reflect an appropriate balance between complexity and understandability in financial reporting so as to not unduly prevent a growing number of users and issuers from having access to capital markets.

6 - The standard setting process should be evidence-based from start to finish, and capital markets should not serve as field of experiment for new financial reporting requirements:

- All agenda decisions should be supported by evidence that improvement is needed or a gap in standard setting has to be filled and precise objectives should be set at inception. Changes to the content of agenda decisions should be supported by due process;
- The potential effects of proposed requirements should be analysed prior to consultation to ensure that set objectives can be met;
- Field testing should take place prior to publication of final standards to support sound cost/benefits analyses and as ultimate quality control;
- Post-implementation reviews should be a follow-up procedure of the three steps described above.

7- EFRAG welcomes the current emphasis on the adoption of high quality global financial reporting standards and strongly believes that convergence as such is no longer sustainable as the driving objective. The SEC has committed to making a decision by the end of 2011 whether to adopt IFRS for domestic US issuers. After that date, the IASB should return to an operating process consistent with the Constitution of the IFRS Foundation, i.e. a process in which no jurisdiction exercises dominant influence on the standard setting process.

We would like to add a supplementary recommendation to the IFRS Foundation Trustees themselves. We believe Trustees have an important role in communicating and explaining the overall strategy of the IASB in particular in their respective regions and need to build up a close relationship with the relevant stakeholder organisations - such as EFRAG - both at global and regional level. Another role of the Trustees is restoring relations and building bridges in particular where over time groups of constituents have lost confidence in the IASB. We call on the Trustees to assume a stronger and wider external role, to enhance their pro-active outreach activities and further improve the transparency of their activities, taking example on the IASB which is being widely praised on both accounts.

This letter does not include any recommendation to address shorter-term concerns in relation to the current work program of the IASB. These are being addressed in a separate letter addressed to the IFRS Foundation Trustees.

If you would like further clarification of the points raised in this letter, please do not hesitate to contact Saskia Slomp or myself.

Yours sincerely

Pedro Solbes

EFRAG Supervisory Board Chairman

Appendix

1 - Public policy objectives should be considered insofar as they are compatible with financial reporting serving capital providers and other creditors' needs. We agree with Hans Hoogervorst that transparency of financial reporting serves financial stability.

- 1 The primary objective of the IASB should be to serve the public interest by providing high quality global accounting standards to help long term investors, other participants in the world's capital markets and other users of financial information make economic decisions. Public policy objectives, including financial stability, should be given due consideration and be taken into account to the extent possible without impairing transparency and the neutrality of financial information. Where solutions that are equally appropriate from the perspective of a wider group of stakeholders (including investors) and that meet the concerns of regulators are available, the IASB should opt for the solution acceptable to regulators.
- 2 Financial stability and prudential reporting, as applied in the financial services sector, have different objectives. Financial stability objectives set by regulators, cannot always be met through the medium of financial reporting. Financial reporting is driven primarily by the information needs of a variety of stakeholders including shareholders and investors, who use financial reporting for decision making purposes. However, presentation requirements should be assessed and examined diligently and pragmatically so as to identify possible ways of reconciling these divergent needs.
- 3 We agree with the observations of Hans Hoogervorst, incoming Chairman of the IASB at the EC conference on financial reporting and auditing in Brussels in February that transparency is a necessary precondition of stability and that accounting standards can make a very important contribution to stability by providing maximum transparency and by avoiding artificial noise.
- 4 Standard setting has gained visibility on the international scene and attracted the attention of global and regional public policy makers and regulators as a result of the economic crises and the wider international adoption of IFRS. For that reason EFRAG recognises that continued cooperation between the IASB and global regulatory networks such as IOSCO and FSB is important. Good cooperation in practice with authorities with responsibility for financial stability is more appropriate than including a reference to financial stability in the Constitution.
- 5 EFRAG believes that the objectives in the Constitution need to address stewardship as well as economic decision-making as set out earlier in our letter of 3 December 2009 when we commented on part 2 of the Constitution Review. We are convinced that the reporting for the purpose of stewardship is a basic characteristic of accounting and financial reporting. Therefore, the public accountability of management is important to enable users and existing shareholders to make decisions about managements' ability to generate economic value. Stewardship has historically been an important reason for producing financial statements in Europe. We wish therefore to reiterate our

view that the Constitution should address the provision of financial information for the purpose of exercising stewardship specifically as an objective.

2 - Independence of the standard setting process is key in order to ensure high quality of financial reporting standards. However, we observe that:

- **Agenda setting is not a technical issue only; it should be a shared responsibility between the IASB and those exercising oversight;**
- **Oversight of the due process should include the review of how decisions made to arrive at a final standard or interpretation have been substantiated technically**

To perform its oversight duties, the IFRS Foundation should be able to rely on a team of technical experts independent from the IASB. To participate in the agenda decisions the Trustees should make use of advisory bodies such as the IFRS Advisory Council and regional organisations such as EFRAG.

- 6 The IASB's independent standard setting process has been a key source of its strength. Technical independence is a necessary condition for setting in high quality and unbiased accounting standards serving the public interest. The legitimacy of IFRS depends on the independence of the IASB. In our view independence is about having the unrestrained ability, subject to appropriate accountability mechanisms, to take the decisions that are believed to be appropriate on the content of standards, based on input gathered through due process. Therefore independence needs to be accompanied with a high degree of accountability through appropriate due process free from undue influence and with appropriate oversight conducted in the public interest.
- 7 Agenda setting is not a technical issue only and should be a shared responsibility between the IASB and those exercising oversight to ensure that the wider strategic implications and the public interest dimension are also properly considered. The agenda setting should be accompanied by a proper due process demonstrating the rationale for agenda decisions. To participate in agenda decisions the Trustees should make use of advisory bodies such as the IFRS Advisory Council and regional organisations such as EFRAG.
- 8 We welcome the requirement in the revised Constitution that the IASB in addition to the annual consultations of the Trustees and the IFRS Advisory Council, should also carry out "a public consultation every three years, the first of which shall begin no later than 30 June 2011". The increased transparency and accountability that public consultation will bring, will enhance the legitimacy of the IASB's agenda decisions. We want to stress that any decision on the work plan needs to be taken with proper involvement of the new leadership of the IASB. We are strongly of the view that the consultation should not only address the issues included in the IASB agenda but also the priorities setting and scoping of the agenda items.
- 9 We strongly believe that an agenda decision should start with the examination and description of what improvement is expected to be made to the resulting financial reporting. This approach should be continued throughout the process and consultation would be required when these conditions change. In practice we have seen exceptions to this approach. In the recent years we have seen

the performance reporting project becoming the financial statement presentation project without being able to understand the origin and the reasons for the change in scope and purpose. Another example is IAS 37, which commenced with a narrowly defined scope, but resulted in a complete overhaul of the standard, including major changes in measurement. We believe that the Board should not make such substantial changes to the scope of a project without proper consultation with the Trustees and the IFRS Advisory Council.

- 10 An appropriate due process free from undue influence includes appropriate oversight by the Trustees conducted in the public interest. Oversight should include the review of how decisions to arrive at a final standard or interpretation have been – technically – substantiated. Oversight needs for example to be exercised on the consistency between the various bases for conclusions, on the justification and documentation of the financial reporting choices made in relation to the comments received from the constituents and evidence gathered of the needs of users. This would imply overseeing the quality of the IASB due process in substance, and not merely in form. To perform its oversight duties, the Trustees should be able to rely on a team of technical staff independent from the IASB.
- 11 Whenever concerns in relation to due process have been raised in the past, additional steps have been added to the IASB due process. This has resulted in significant improvements. However, Trustees' oversight has never been performed on the due process *substance*. IASB's constituents put a lot of effort and resources into writing comment letters responding to the proposals. Yet, many feel the comments are not sufficiently taken into account when final standards are issued. This bears responsibility for the acceptability of changes made to IFRS across the world. We wish to raise the Trustees attention to a number of examples:
 - Situations continued to arise where a clear majority or a significant minority have expressed serious and similar concerns about a proposed standard but their comments are rejected on the grounds that they have raised no new arguments and that these arguments have already been considered by the IASB during the development of the proposed standard. The fact that the same comments continue to be raised by a majority or a significant minority of commentators during every stage of the standard-setting process should, in itself, oblige the Board to address the concerns again, and to reconsider the impact assessment and needs analysis in order to assess whether all practical implications have been appropriately considered.
 - Practicality should be a prime consideration in the IASB standard setting process and proper attention should be given to the solution that is most widely accepted. The Board is currently taking positions and making changes on the basis that a majority of Board members firmly believe that their chosen solution is superior. Different accounting solutions can be of equally high quality, and from these the solution that is the most acceptable to the widest broad-based stakeholder community should be seriously considered. If that solution is ultimately not retained, strong evidence against it should be gathered and displayed.
 - The IASB has in the past introduced new options as a mechanism to bring about what may be considered to be a controversial change to a standard. First an additional (preferred) option is introduced in a

standard and then at a later stage, the original treatment is removed, the removal being justified by greater comparability being supported by the elimination of options. This occurs as part of a series of successive changes, rather than replacing the existing treatment with the IASB's preferred treatment at the outset in one revision of the standard. This, we believe, can result in the introduction of potentially significant and fundamental changes to the IFRS accounting model without these changes having been subject to a full due process.

- EFRAG believes that final standards should only be issued when the phased projects are totally finalised. Indeed various requirements in the individual standards are interrelated and require internal consistency. Moreover in Europe the endorsement of a partial standard has turned out to be difficult given that European constituents wish to assess the relevance and the appropriateness of each standard as a whole during the endorsement process.
- EFRAG believes that greater ex ante oversight should be exercised to decide when re-exposure is needed, and hence avoid that changes to IFRS are made without sufficient public consultation. In periods where the IASB decides on self-imposed deadlines, such an oversight may well be all the more needed.

3 - While we support the objective of financial reporting as defined in the IFRS Constitution, we observe that:

- There is a clear need to define who users legitimately are, since proper identification of users' needs is proving difficult. The IASB should look after the interests of the whole user community,
- As only a few user representatives participate in the accounting debate, the IFRS Foundation should ensure that the IASB is not placed under de facto dominating influence (having in mind that user groups are representative of private interests)
- Priority should be given to providing useful information to long term investors, when there may be a conflict between the short term and the long term perspectives. Long-term investors are interested in sustainable value creation, and so is management or the issuer entrusted with the stewardship of the profitability potential of a reporting entity
- Comments received from issuers (and other stakeholders) have equal relevance to the standard setting process,
- Convergence of external and internal financial reporting benefits both users and issuers (it enhances the financial communication quality between users and issuers) and avoids proliferation of non GAAP financial information.

Therefore when users' needs are analysed as diverging from needs expressed by issuers, the standard setting process should fully justify why and how divergences emerge and appropriate oversight should be exercised on those justifications.

- 12 In the standard setting practice identifying users' needs has proven difficult. Representatives of users do not necessarily easily engage in accounting standard setting. Nevertheless, the IASB often supports its decision by the assertion that changes will help better serve users' needs.
- 13 As only a few user representatives participate in the accounting debate, the IFRS Foundation should ensure that the IASB is not placed under de facto dominating influence (having in mind that user groups are representative of private interests).
- 14 If financial reporting is to not only support well functioning capital markets but also help sustain economic growth, priority should be given to providing useful information to long-term investors, when there may be a conflict between the short-term and the long-term perspectives. Long-term investors are interested in sustainable value creation, and so is management of the issuer entrusted with the stewardship of the profitability potential of a reporting entity. Financial information relevant for management purposes is likely to be relevant for long term investors, and vice versa. Reporting entities wish to use the same

financial information they employ for managerial purposes also to inform their investors. Comments received from issuers (and other stakeholders) have equal relevance to the standard setting process.

- 15 There is thus a risk that external and internal financial reporting will further diverge in the coming years when the foreseen changes from existing external financial reporting requirements are not judged relevant for management purposes and communication to the investors. We note already the current practice to inform the investor community on the basis of non GAAP financial information. Reporting entities are well positioned to assess whether IFRS measure performance in a way that is useful for both internal reporting and external reporting to investors. Convergence of external and internal financial reporting benefits users (it enhances the financial communication quality between users and issuers) and avoids proliferation of non GAAP financial information.
- 16 When users' needs are analysed as diverging from those expressed by issuers, the standard setting process should justify why and how divergences emerge and appropriate oversight should be exercised on those justifications.

- 4 - High quality standards are standards which are well implemented and hence well understood. To that purpose:**
- **No fundamental change in principle should be made prior to genuine conceptual debate taking place and amendments to the Conceptual Framework being made,**
 - **Pace of change should be reasonable so as to let issuers, users and other stakeholders manage, and adjust to, the change,**
 - **Periods of stability in the accounting requirements should be granted, so as to support maximum consistency of financial information over time.**

- 17 The Conceptual Framework should have more substance, be further developed and have a more prominent place in the standard setting process. No fundamental change in principle should be made prior to genuine conceptual debate taking place and amendments to the Conceptual Framework being made. We would like to illustrate this with some examples:
- Deciding whether expected value for single risks is an appropriate measurement – a proposal that is strongly rejected by many constituents – can only take place following a conceptual debate about what measurement of assets and liabilities should reflect in the balance sheet.
 - The IASB fair value measurement guidance should not be extended to non-financial assets and liabilities before a debate has taken place on

the appropriateness of this measurement and the issue of how to differentiate between entry and exit markets has been fully debated.

- Recycling should not be eliminated before the debate on its relevance has taken place.
- 18 In addition to ensuring that final standards are better understood and implemented, more effective, launching debates of proposals at a conceptual level would also impose greater discipline on the Board when making its technical decisions.
- 19 Adequate time should be allowed for the implementation of standards in Europe and elsewhere in particular since a number of important countries is currently in the process of adopting or adapting IFRS. Frequently changing standards at the pace we have seen over the last years cause in addition problems of consistency from period to period. One possibility that could be used to create more stability in financial reporting would be to introduce a system as currently applicable for IFRS for SMEs and make changes only at periodic intervals unless there is a pressing need for changes to be made immediately.
- 20 The costs associated with educating preparers and users in application and understanding of existing and proposed accounting standards, as well as keeping such knowledge current, are increasing dramatically. In addition there are the costs and risks associated with frequent substantial system changes resulting in many cases from changes in the application of accounting standards. Though standards may need to be improved and adapted in a fast changing environment, care should be taken to ensure that preparers and users can have confidence that there will be a certain amount of continuity of current standards.
- 21 We also believe that the IASB should give greater consideration to the number of amendments to IFRS and new IFRS that users and issuers can reasonably absorb within a certain timeframe taking into account that standards should be practical and meaningful.

5 – High quality standards should reflect an appropriate balance between complexity and understandability in financial reporting so as to not unduly prevent a growing number of users and issuers from having access to capital markets.

- 22 As the business environment in which we operate today has grown increasingly complex, it is unavoidable that accounting standards also reflect the increasing complexity of many business transactions. This may in turn result in more complex financial statements. Information technology has brought important improvements in data processing abilities and has enabled users to improve their analysis skills. The IASB should ensure that its (proposed) standards are not overly sophisticated and remain clear and comprehensible, as well as capable of being implemented and audited in a practical manner.
- 23 EFRAG is of the opinion that changes to standards should be made only when they result in a more faithful representation of economic reality, in better presentation or increased transparency and thus contribute to an improvement

of financial reporting. Increasing complexity in financial reporting is causing problems for users and may gradually drive certain users groups away from IFRS financial statements and help non-GAAP information proliferate. This raises the question whether there is a limit to the sophistication of IFRS and the resulting complexity in financial reporting.

- 24 A proper balance needs to be struck between the goal of improving financial reporting and the ability of preparers, auditors and, importantly, users of accounts, to be able to produce, audit, interpret and understand the resulting financial information in a meaningful way. To support such an outcome, an appropriate balance between ideal theoretical solutions and practical standards must be struck.
- 25 Whenever the IASB encounters strong or extensive objections and even rejections by a wide group of stakeholders to its proposals, this may indicate that either the proposed changes will not bring improvement in practice or the proposed changes are premature. In these circumstances, we believe that the IASB should be prevented from going ahead. The key must be standards that work and produce decision-useful information.

6 – The standard setting process should be evidence-based from start to finish, and capital markets should not serve as field of experiment for new financial reporting requirements:

- All agenda decisions should be supported by evidence that improvement is needed or a gap in standard setting has to be filled and precise objectives should be set at inception. Changes to the content of agenda decisions should be supported by due process;
- The potential effects of proposed requirements should be analysed prior to consultation to ensure that set objectives can be met;
- Field testing should take place prior to publication of final standards to support sound cost/benefits analyses and as ultimate quality control;
- Post implementation reviews should be a follow up procedure of the three steps described above.

- 26 Improvements to financial reporting need to be fully understood if standards are to be properly implemented by issuers and the resulting information well understood by and useful to investors and other users. As a result, forcing changes into financial reporting that in the Board's view are improvements, may not result in improvements in practice if appropriate steps are not undertaken in advance of the proposed changes. Therefore all agenda decisions should be supported by evidence that improvement is needed or a gap in standard setting has to be filled and precise objectives be set at inception. The potential effects of proposed requirements should be analysed prior to consultation to ensure that set objectives can be met. Appropriate field testing and impact assessment should take place during the standard setting process.
- 27 We also believe that amendments in standards should in general not relate to single (country) issues. Examples where this has not been effective are recent changes to standards related to deferred tax and hyperinflation.

- 28 The standard setting process should be evidence-based from start to finish. It is important for the credibility of the standard setting process that impact assessments in the form of effect analyses or field testing are carried out and published at several phases of the standard setting process, notably early in the process. Impact assessments ensure that the resulting final standards are sufficiently robust, allow for implementation in practice and result in relevant financial reporting. Time should be allowed for adequate field testing of new proposed standards and major proposed changes to standards before a final standard is agreed, in particular when the proposals turn out to be controversial and significant concerns are expressed by the constituents. Post implementation reviews have their own merits but should not be applied as a replacement for field testing and effect analysis during the standard setting process.
- 29 EFRAG and the UK ASB have published the Discussion Paper, *Considering the Effects of Accounting Standards* on 31 January 2011. The Discussion Paper argues that the due process of the IASB could be strengthened by systemically considering the effects of accounting standards as they are developed and implemented. The purpose of the Discussion Paper is to stimulate discussion on how standard setters should integrate further into the standard setting due process a systematic process for considering the effects of accounting standards as those standards are developed and implemented. The Discussion Paper is primarily addressing the IASB. The IASB has been fully informed about the development and progress on this paper given that the draft discussion paper was presented to and discussed at the Global National Standard Setters meeting and at EFRAG TEG meetings. EFRAG would welcome an opportunity to present its discussion paper also to the Trustees. The analysis of effects are in our view an essential part of the standard setting process.
- 30 The IASB Due Process Handbook requires effect analyses and post implementation reviews to be conducted. However, these requirements, which are of crucial importance to Europe, have so far been insufficiently implemented. Implementation of the requirements would enhance the credibility of the IASB in setting high quality accounting standards and in meeting the public interest objective. We would like to see the Trustees encourage the IASB to fully implement the recent enhancements in the IASB's due process, particularly feedback statements and field testing before any further new final standard is agreed.
- 31 EFRAG together with the National Standard Setters in Europe representing one of the regions is ready to contribute actively to the field testing and other forms of impact assessments in Europe of the proposed standards in order to enhance the quality of the standards and the acceptability in Europe.

7- EFRAG welcomes the current emphasis on the adoption of high quality global financial reporting standards and strongly believes that convergence as such is no longer sustainable as the driving objective. The SEC has committed to making a decision by the end of 2011 whether to adopt IFRS for domestic US issuers. After that date, the IASB should return to an operating process consistent with the Constitution of the IFRS Foundation, i.e. a process in which no jurisdiction exercises dominant influence on the standard setting process.

- 32 We appreciate that the Constitution is specifically mentioning as objectives of the IFRS Foundation the development, in the public interest, of a single set of high quality, understandable, enforceable and globally accepted financial reporting standards as well as to promote and facilitate adoption of IFRS through the convergence of national accounting standards and IFRS. EFRAG strongly believes that convergence as such is no longer sustainable and welcomes the current emphasis on the adoption of high quality global financial reporting standards.
- 33 However, we are concerned about the undue time pressure the IASB and FASB MoU on convergence is causing and the risk that this pressure may have a negative impact on the quality of the resulting standards. Sufficient time needs to be allowed to carefully adjust the proposals where needed, making them fully operational, and to ensure that the proposals result in better standards and thus improve financial reporting. We wish to underline that the development of a single set of truly global financial reporting standards is also serving the European public interest.
- 34 In EFRAG's view this also means that no individual jurisdiction or region which do neither apply IFRS nor are in the process of adopting IFRS should have a dominant influence on the agenda setting or standard setting process of the IASB.