



Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale



IFRS Foundation  
30 Cannon Street  
London EC4M 6XH  
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Paris, December 17 2012

Re: *"Proposal to Establish an Accounting Standards Advisory Forum (the ED)"*

It is with great interest that we welcome this consultation as we are always very interested in all the initiatives carried out by the Trustees which may lead to improving the quality of the standard setting process.

Nonetheless, we regret the very short time allowed for the comment period, which prevents stakeholders, and particularly associations and organisations like ours, from setting up the appropriate organisation needed to provide detailed and relevant answers within their own due process. Given this unusually short deadline, we are providing a fairly brief comment letter that we will complement with further views if necessary later.

Before answering the specific questions asked, we would like to highlight our agreement in principle for the establishment of any body which may help to improve the relationship between the IASB and the various stakeholders involved in the standard-setting process. It is of course not possible for the IASB to multiply indefinitely its bilateral discussions, so it is quite legitimate for it to seek to streamline its process by creating a forum for centralised exchanges with National Standard-Setters and other regional bodies, provided that this does not lead to the exclusion of dialogue with other smaller or individual constituents. Indeed, we would like to emphasize the need to maintain sustained contact with all stakeholders and categories of stakeholders outside this forum, which should not supersede all the existing and necessary relationships with the widest range of constituents possible.

#### **Question 1 concerning the commitments to be made by the ASAF members**

In our view, the work of the Accounting Standards Advisory Forum (the Forum) can be successful only if all participants are committed to doing all that is necessary to achieve constructive exchanges in good faith and with open minds. It may even be appropriate for all parties to agree to this explicitly.

However, we have reservations about the nature of the commitment required of the non-IASB participants in the Forum and even stronger reservations about formalising this by the Memorandum of Understanding which is proposed. We understand and support the need for the IASB to be independent in its decision-making and agree this must be respected by the Forum's participants. But a similar degree of independence needs also to be granted to all participants in the Forum in order to guarantee a free exchange of technical views and to prevent there being a potentially unhelpful perception that that non-IASB participants are actually just an offshoot of the IFRS organisation. Without such independence there is, in our view, a risk of discussions being strongly coloured by political, rather than technical, considerations.

At the same time, the requirement for such commitment to the detailed and specific objectives proposed in paragraph 6.3, such as, for example, the objective of endorsement/adoption of IFRSs in full and without modification, takes the purpose of the Forum well beyond the simple role of the provision of advice on technical matters. This is a particular issue, for organisations that take part in the legislative process of adoption of IFRSs, as is the case in the European Union. We are concerned that the commitments expected might in effect provide the IASB with an apparent "moral" endorsement of its decisions on projects which may be highly controversial. These commitments, and indeed the work of the Forum, must not be allowed to pre-empt the discussions and the elaboration of European positions, in particular on major or strategic technical issues.

The commitment to the adoption of full IFRS seems to us to be a particularly sensitive issue. It may be intended that this be applicable only to Forum members representing geographical / economic areas that do not require the use of IFRSs and who have a determining role in the adoption process. However, in jurisdictions with a legal or statutory endorsement process, it is difficult to see how a representative body whose role is to provide advice about the technical endorsement criteria concerning the IFRSs could properly commit itself to making its best efforts to promote adoption of full IFRS. That lobbying role is not within the advisor's remit. Indeed, full adoption of IFRS will always largely depend upon the perceived quality of the standards.

In contrast, some of the commitments which it is proposed to require would not be relevant for participants in the Forum who have not already adopted IFRS. As an example of this, we wonder how realistic it is to require a jurisdiction which does not apply IFRS to commit itself to the promotion of a consistent application of IFRS in its region.

Therefore, in terms of commitments and discussions within the Forum, it seems to us necessary to differentiate between those participants from jurisdictions requiring the use of IFRSs for domestic purposes or having formally committed to do so, and those for whom the adoption of IFRS is but a distant objective. It would be inappropriate to give an equal or greater weight to the concerns of the latter to the possible detriment of the users in the jurisdictions represented by the former.

## **Question 2 concerning the proposed size and composition of the Forum**

We are concerned by the proposed size of the Forum when taken in conjunction with the proposed mix of membership.

We are also very concerned by the allocation of places in the Forum as this does not reflect what is, in our view, the most critical element to the success of the Forum, which is to give priority to the representation of those jurisdictions or geographical zones which have already adopted IFRS for domestic purposes or have formally committed to do so. These constituents are at the same time more committed to IFRS, more experienced in the difficulties of interpreting and applying IFRS, and will be more immediately affected by the discussions in the Forum, which the IASB might rely on in orientating its work.

We note that under the proposals the European Union would have only two members whereas today it represents one of the largest clients of IFRS in terms of the numbers of entities which apply IFRS. This request for an improvement in the representation of current users of IFRS is one which we have expressed on several occasions in the past in relation to other bodies in the IFRS organisation.

We suggest that the Forum would be more effective if there were more representatives of current IFRS users. It may also be useful to create two colleges within the Forum (current users and future adopters) in order to be able to address the preoccupations of each group in a more targeted way.

Finally, the ED does not state clearly the process for selecting the member organisations of the Forum: is the selection to be made by organisations volunteering, by a process of selection by the constituents of the region concerned or by a unilateral decision of the IASB or the IFRS Foundation Trustees?

In our view, it is not the role of the IFRS Foundation or of the IASB to determine who should be the representative bodies of, to take one example which concerns us, the European Union. A unilateral decision by the IASB might give rise to suspicions of biasing of the Forum, and it would be better to avoid this for the better credibility of the Forum.

As discussed above, we think that for the Forum to operate most effectively it should include a relatively high proportion of representatives with broad experience of the issues posed by IFRS. It would be therefore best to increase the relative proportion of representatives of the current users of IFRS. To achieve this, the number of 12 non-IASB members could be maintained while redistributing the membership with a greater weighting given to current users. Alternatively, the total membership of the Forum could be increased to 15 or 16 non-IASB members, with the additional seats being allocated to current users of IFRS.

We think that a composition of between 12 and 16 non-IASB members and one or two IASB members will promote the effective operation of the Forum and facilitate a real exchange of views in a flexible manner. This should result in debates of good quality.

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