

Michel Prada  
Chairman  
IFRS Foundation  
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United Kingdom

20 December 2012

Dear Mr Prada,

**Invitation to Comment: Proposal to Establish an Accounting Standards Advisory Forum**

In response to the Proposal to Establish an Accounting Standards Advisory Forum (ASAF), please find below a summary of our joint views. We are happy to discuss how to best join forces between national standard-setters and the IASB, however we suggest that a number of dimensions need to be addressed.

Currently no stable and formalised working relationship exists between the IASB and national accounting standard-setters, except in the case of certain countries who do not adopt IFRS. This is why we undertook to update the "Statement of Best practice", which IFASS, including the IASB, has considered on several occasions in the last 18 months.

In this respect, we appreciated the Trustees evoking the matter in their Strategy review, as we had suggested. Paragraph C5 of the report stated:

*"The IFRS Foundation and the IASB should encourage the maintenance of a network of national and other accounting standard-setting bodies as an integral part of the global standard-setting process. In addition to performing functions within their mandates, national and other accounting standard-setting bodies should continue to undertake research, provide guidance on the IASB's priorities, encourage stakeholder input from their own jurisdiction into the IASB's due process and identify emerging issues".*

We consider, however, that the latest proposals issued by the Foundation fall short of our needs and expectations for the following reasons:

- The proposals fail to take fully into consideration the benefits that could arise from closer cooperation, given the similarity of tasks performed by the IASB and national standard-setters, acting on the basis of public interest mandates, and synthesising the views in their jurisdictions. Formalisation of cooperation with accounting standard-setters is presented as a risk for the IASB ; although the proposals identify that the ASAF would provide advice and views to the IASB and as a wider body of national standard-setters may support its standards, these elements are not identified as opportunities;
- No fundamental objective is identified in the proposals for the ASAF, making it difficult to understand:
  - (i) how is it going to enhance the standard setting process;
  - (ii) what the size and composition of the ASAF should be; and
  - (iii) whether IFRS adopters will be given due prominence.

- The proposals, by focusing on risks to the IASB and outlining principles and obligations that a member must commit to, do not suggest a spirit of partnership in the relationship between the IASB and national standard-setters, which we feel should be at the core of our common working relationship;
- The proposals only address one aspect of cooperation, leaving aside many other dimensions, such as the effective and efficient interaction between stakeholders, national standard-setters and the IASB and how best to rationalise these at all stages of the standard-setting process, including at strategic level; we believe that this is a key element which, if addressed, would have led to put the current proposal in perspective and to change its main parameters;
- It is not clear how the role of the ASAF will alter (or not) other advisory groups, such as the Standards Advisory Council; and
- We do not think it is clear from the proposals how members of ASAF will be appointed.

In relation to the selection of candidates, priority is not given to countries applying IFRS. If the objective of the ASAF is to share technical issues, foster strategic discussions and facilitate the smooth adoption of IFRS being issued, then preference should be given to standard-setters from IFRS adopter countries. In addition, to only suggest two seats for the EU is out of proportion with its current policy on the adoption of IFRS.

There seems to be an emphasis on regional bodies, however, there is no recognition of the fact that regional bodies do not set standards and fulfil different roles. We believe that a regional body should only be involved where empowered by all of the national standard-setters concerned.

We are not clear why it is considered that the Chairman or Vice-Chairman of IASB should chair the ASAF – if the Foundation is concerned about independence we suggest that, similar to the Standards Advisory Forum, an independent Chair should be elected or there should be a rotation policy around the national standard-setters. The Chair would then be able to advise on the agenda items – currently we do not think the proposals are clear as to how the agenda and papers for the ASAF will be set. This is however largely linked to the remarks above on the role of the ASAF.

In the same vein, the interaction between various existing consultative and other bodies is not addressed, when obvious improvements could be made to increase efficiency.

We understand the Foundation's desire to limit the size of the forum (including the Chair and Vice-Chair of the IASB the forum will consist of 14); however we do not really think the reasons for having a membership below that of the IASB are justified. In this respect, a G20 type of composition would also be workable. We are, however, concerned that limiting membership to 12 has the potential to leave significant national standard-setters outside the ASAF. Leaving such national standard-setters outside the ASAF runs the risk of those national standard-setters requiring continued bilateral relationships with the IASB, therefore defeating one of the aims of the proposal.





We are of course ready to respond to any question this letter may raise. The four of us are looking forward to joint discussions about how to improve our cooperation in a global way.

Best regards

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