

Trustees of the IFRS Foundation
30 Cannon Street
London EC4M 6XH
UK

Cc: EFRAG

Oslo, February 16th, 2011

Dear Sir/Madam

The future strategy of the IFRS Foundation

The Trustees request comment on the questions on the four areas listed below:

Mission: How should the organisation best define the public interest to which it is committed?

1. *The current Constitution states, "These standards [IFRSs] should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions." Should this objective be subject to revision?*
2. *The financial crisis has raised questions among policymakers and other stakeholders regarding the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements. To what extent can and should the two perspectives be reconciled?*

Reply 1-2

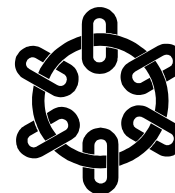
No, we do not believe it is required to make a change to the stated objective. We think the standards should be aimed at meeting capital markets' information needs like they are today, and should not be redefined at serving other purposes, like stability purposes.

Governance: how should the organisation best balance independence with accountability?

3. *The current governance of the IFRS Foundation is organised into three major tiers: the Monitoring Board, IFRS Foundation Trustees, and the IASB (and IFRS Foundation Secretariat). Does this three-tier structure remain appropriate?*
4. *Some stakeholders have raised concerns about the lack of formal political endorsement of the Monitoring Board arrangement and about continued*

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insufficient public accountability associated with a private-sector Trustee body being the primary governance body. Are further steps required to bolster the legitimacy of the governance arrangements (including in the areas of representation of and linkages to public authorities?)

Reply 3-4

We believe it is important to find a balance between independence and legitimacy (influence from legitimate authorities and representative organisations).

Process: how should the organisation best ensure that its standards are high quality, meet the requirements of a well functioning capital market and are implemented consistently across the world?

5. *Is the standard-setting process currently in place structured in such a way to ensure the quality of the standards and appropriate priorities for the IASB work programme?*

Reply

There have been some cases of due process not being properly carried out by the IASB. Some examples are:

- advanced application of proposed, but not finalised, changes to the framework, for instance the definitions of assets and liabilities and the concept of reliable measurement
- the premature application in the IFRS for SMEs standard of proposed and later withdrawn changes to IAS 12
- superseding changes to IAS 1 (comprehensive income)
- several proposals of changes to financial instruments that have not resulted in much and would have gained from being further developed before published for comments
- reclassification of Financial Assets; amendments to IAS 39 and IFRS 7 made in October 2008

In the capacity of being the oversight body of the Foundation the Trustees have the competence to intervene if the IASB has not carried out due process properly.

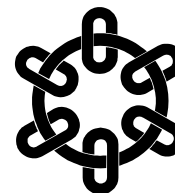
6. *Will the IASB need to pay greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis?*

Reply

No. It is important that the IASB and IFRIC ensure that the standards are clear and understandable, and they should pay attention to application and implementation issues in that context. However, monitoring of consistent application and implementation should be carried out by others than the IASB.

Financing: how should the organisation best ensure forms of financing that permit it to operate effectively and efficiently?

7. *Is there a way, possibly as part of a governance reform, to ensure more automaticity of financing?*



Reply

The organisation should ensure a long term stabile financing, and there should be a system for contributions from the countries. It may be useful to establish a committee, which is given the task of making recommendations on expected contributions.

Other issues

8. *Are there any other issues that the Trustees should consider?*

Reply

None identified.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse