



Foreningen af Statsautoriserede Revisorer

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By email: strategyreview-comm@ifrs.org

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Dear IFRS Trustees,

RE: TRUSTEES' STRATEGY REVIEW

FSR is pleased to respond to your request for comments on your paper Status of Trustees' Strategy Review.

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

Question 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?

We agree with the objective to require high quality, transparent and comparable information as defined in the Constitution and we believe that it remains fit for the purpose to act in the public interest and to develop a single set of high quality standards. We find that understandability, practicability and auditability of proposed standards and interpretations are important elements of the objectives of IFRSF.

We find that economic decisions should include not only forward-looking decision-making by investors on buying, keeping or selling shares, but also the stewardship concept. The management has responsibilities not only for short term decisions but also for ensuring the longer term health of the company, and therefore we find that the stewardship concept could be explicitly mentioned.

We agree with the investor perspective. However, a broader discussion on the role and use of IFRS in different companies would be a relevant task for

IFRS Foundation or IASB, including facilitating the way for introducing IFRS for SMEs.

Question 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?

The primary objective of the financial statements is to provide useful information to investors, other capital providers and other stakeholders who are identified as the primary users of financial information.

We agree with the observation that other user groups, not at least Financial Supervisory Authorities, show an increasing demand for high quality financial information. However, we do not see any benefits of including prudential considerations in the principles of recognising and measuring items. Instead it might be more relevant to increase or adjust capital requirements for companies in the company legislation, especially for systemic financial institutions, and to increase public oversight with solvency requirements etc.

We find that transparent financial reporting from all companies is a prerequisite for ensuring financial stability. Transparent and high quality reporting should be based on general purpose international financial reporting standards.

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

Question 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?

We find that the current structure with three different governing bodies functions well. However, over-lap between the roles of the Trustees and the Monitoring Board should be avoided.

We are aware that discussions are going on for a broader representation of stakeholders in the Monitoring Board. We have sympathy with ensuring a broader representation in the Monitoring Board. However, we believe that the current role of the Monitoring Board should be sustained, and the Monitoring Board should not intervene in the day to day operation of the Trustees. The Monitoring Board should neither intervene in the discussions and decisions made by IASB or on accounting technical matters. The independence and separate clear roles of each body is, in our opinion, essential to ensure that the risk of any conflict of interests is minimized.

Question 4. Some stakeholders have raised concerns about the lack of formal political endorsement of the Monitoring Board arrangement and about continued 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)?

We agree that the Monitoring Board has an important political and oversight role to play. We find that the Monitoring Board should be in close contact with the discussions in G20, the Financial Stability Forum and other relevant fora.

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?

Question 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?

We find in general that the current organisation of international financial accounting standard-setting is effective, transparent and well-functioning.

We commend the IASB for the improved communication efforts e.g. through IASB Outreaches, webcasts, news letters, snapshots etc. We also appreciate the information from and dialogue with representatives from IASB at the quarterly meetings in the EFRAG Consultative Forum for Standard Setters, in which we participate.

FSR has been co-organiser of two very good and productive IASB Outreaches in Copenhagen in October 2010 on Leases and Revenue Recognition and in February 2011 on Hedge Accounting.

However we find that the due process might be improved further.

It is very important to allow sufficient time for deliberations in the various constituencies. The normal 120 day comment period would cater for this when we are discussing less complex exposure drafts. However, when a number of major projects – all being comprehensive and complicated in nature - are open for comments within a narrow timeframe, which was the situation in 2010, the normal comment period is in our experience not sufficient to reach out to constituents on all ED's. Furthermore, a re-consultation process should be required when fundamental changes are introduced. Changes to the standards or issuing of new standards should only be made where this results in better standards and improvements to current financial reporting.

Furthermore we find that the numbers of annual improvements are often too big. We would prefer bi-annual rather than annual improvements because of the burden imposed on preparers etc.

Not only the single exposure drafts but also – and not least – the agenda priorities are very important to all stakeholders. The agenda has until now been solely decided by the IASB after consultation with the IFRSF Advisory Council (formerly SAC) and some discussions with the IFRS Board of Trustees. We suggest that the agenda be subject to regular public consultation and the rationale for the agenda decisions should be more explicitly explained.

Basically we support the concerns expressed in the letter of 17th November 2010 from the Canadian Accounting Standards Board to IFRSF concerning the need for time for deliberations etc. in different jurisdictions.

Question 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?

Yes. Most important areas are now covered by existing financial reporting standards. Therefore, now the IASB and the IFRS Interpretations Committee should focus more on consistent application and implementation through a formal and regular dialogue and communication with securities regulators in those jurisdictions/regions that are applying IFRS. An effective interpretations committee should facilitate more consistent application and implementation of the standards around the world. Post-implementation reviews are also still needed.

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

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

We have noticed that the European Commission will play a more important role in contributing to the funding of the IFRS Foundation. We fully support this, since a sustainable funding is important for the continuation of the high quality standard setting and for the ensuring of European influence on the future development of financial reporting.

At the same time we find that dependence on a single group of contributors such as regulators should be avoided in order to ensure the independence of IFRS Foundation.

Other issues

Question 8: Are there any other issues that the Trustees should consider?

We have no further comments.

Best regards,

Niels H. Enevoldsen
Vice Chairman of the
Danish Accounting Standards Committee

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