



IFRS Foundation  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

19 December 2012

Dear Sirs,

**Re: Proposal to Establish an Accounting Standards Advisory Forum**

BUSINESSEUROPE welcomes the opportunity to comment on the proposal to establish an Accounting Standards Advisory Forum.

The period for giving comments on the proposal has been short – only 45 days. BUSINESSEUROPE considers that, even though the proposal is not dealing with standard-setting, a longer comment period should be allowed for proper consultation and consideration of these amendments relating to the relationship between the IASB and other bodies within or outside the IFRS organisation.

BUSINESSEUROPE believes that it is imperative that the IASB consult with all stakeholders on a regular basis in order to take all relevant views into account in the standard-setting process. We are, in principle, supportive of the proposal to establish an Accounting Standards Advisory Forum (ASAF) as a part of this process. However, before the forum is established we consider that the IFRS Foundation should address a number of questions that are not adequately covered by the proposal. These issues are discussed below.

**The role of the ASAF**

The role of the ASAF (which is explained in paragraph 6.4 on page 9 of the proposal) is to provide advice and views to the IASB on major technical issues related to its standard-setting activities and to provide input on national and regional issues. Even with this description, the exact purpose of the ASAF is not sufficiently clear. For example, is its purpose to discuss agenda setting in a very preliminary phase for new standards or amendments to existing standards?

It is also not clear how the IASB can make use of the views presented by ASAF members, given the fact that members must take their own due processes for formulating positions into account. How can discussions within the forum add to what is stated in comment letters by the members? What the IASB might end up with is the personal opinions from individual members or staff of a standard-setter or regional body.

Adding to this, we also believe that the IFRS foundation should clarify how the ASAF will fit in with other IASB advisory bodies (i.e. the IFRS Advisory Council, Capital Markets Advisory Committee and Working Groups). This is not clear from reading the proposal. Is there a risk of duplication of work?

## **Size and composition**

BUSINESSEUROPE accepts the IFRS Foundation's view that, to be technically effective and efficient in the discussions as well as globally representative, the size of the ASAF should be limited. We do not, however, find any rationale for the number (twelve) that is proposed. Our view is that it is better to have flexibility regarding the size of the group, in order to ensure that standard-setters from different jurisdictions are able to participate satisfactorily.

In the proposal (paragraph 6.11 on page 11), it is stated that the membership should be reviewed every two years, a proposal that we agree with. The review, as well as the initial composition, of membership should according to the IFRS Foundation take into account factors such as technical competence, experience in the use of IFRS, the scale of the jurisdiction's capital market, the organisation's contribution to the IASB's standard-setting process and the scale and degree of the human capital resources available to the organisation, among others. Our view is that this effectively guarantees that only large standard-setters and regional bodies will be members.

As a consequence of this, it is important that other (mostly small) standard-setters that are excluded from the ASAF are able to communicate their views to and interact with the IASB in a constructive way also in the future. We find no discussion of how this is going to be organised in the proposal, apart from brief references to WSS and IFASS (on page 7 et seq. and on page 13 in the proposal). We propose that, before establishing the ASAF, the IASB should also design and implement a structure to ensure interaction with other standard-setters and not leave this question unresolved. This could for example, be achieved through recurring regional meetings organised by the IASB in conjunction with EFRAG

In paragraph 6.31 (on page 13) it is stated that one of the risks with the proposal is to set up a forum that is not satisfactory to all parties. It is also stated that ASAF representatives will need to ensure that they consult others within their region to ensure that they understand their perspectives.

BUSINESSEUROPE believes that members of the ASAF should be obliged to consult with all stakeholders within their jurisdictions before ASAF meetings. But we suspect that this is not enough to ensure that the views of stakeholders in a region are documented and understood. We do not believe that national standard-setters are able to engage in consultations outside their respective jurisdictions. This implies that there is a strong need to have regional bodies, i.e. EFRAG in Europe, as members of the ASAF. If this is not the case, views of stakeholders especially in small countries will not be covered by ASAF members.

In addition, we find it unclear who has the power to allocate (appoint) the seats to participants and what the proposed process is. For example, is there a procedure which will ensure that the constituents can have an influence over the appointment of the representatives of their relevant geographical seats(s)? Is a "seat" occupied by only one person or is it possible to nominate several persons to represent a seat?

## **Commitments**

BUSINESSEUROPE believes that the success of the ASAF will depend upon a number of conditions being satisfied. In particular, it is important that the members of the ASAF commit themselves to participate fully and constructively in its work. The Memorandum of Understanding as proposed is, in our view, not the best way to achieve this. Instead, this could take the form of a specific commitment to devote adequate resources, to prepare thoroughly, to act as a faithful conduit for communication in both directions between the ASAF and constituents, and to participate in the discussions in an open-minded way. Similarly, the IASB representatives should commit themselves to the same behaviors and additionally to conducting the meetings in a transparent manner with a clear record being made of what was said by whom, and how the IASB proposes to take forward the product of the discussion.

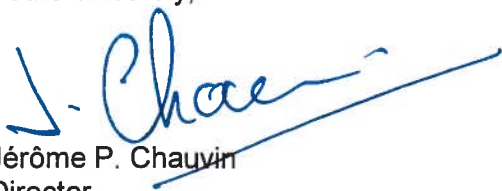
In summary, it is essential, in our view, that the objectives of the ASAF are clearly stated and that there is a clear set of rules governing the behaviour of all the participants in the forum. Participation in the ASAF should imply acceptance of the objectives and rules, as is the case in any such form.

Furthermore, other than the commitment to support the IFRS Foundation's mission to develop, in the public interest, a single set of globally accepted financial reporting standards (paragraph 6.4 on page 9) we are uncomfortable with most of the specific commitments that are identified in the proposed Memorandum of Understanding. We do not think that the other commitments are appropriate for independent members of the ASAF as they are far too restrictive. Indeed, requiring members to commit themselves positively to promoting the adoption of IFRS, for example, may actually discredit the ASAF in its intended role as the forum might then be perceived as a subordinate body of the IASB. IASB and non-IASB representatives in the ASAF should be truly equal in status, and the independence of each should be respected.

We believe that it would be preferable if the role of the ASAF and the responsibilities of its members were clarified as described above in order for members of the ASAF and other interested parties to better understand the relationship between ASAF and the IASB.

If you require any further information or explanation, please do not hesitate to contact us.

Yours sincerely,



Jérôme P. Chauvin  
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Legal Affairs Department  
Internal Market Department