

EFRAG  
Attn. EFRAG Supervisory Board  
35 Square de Meeûs  
B-1000 Brussels  
Belgique

Secretariaat:  
Antonio Vivaldistraat 2-8, 1083 GR Amsterdam  
Postbus 7984, 1008 AD Amsterdam

T +31(0)20 301 02 35  
F +31(0)20 301 03 02  
rj@rjnet.nl  
www.rjnet.nl

Our ref : RJ-Div. 4060  
Date : Amsterdam, 17 December 2012  
Re : Comment on **'Proposal to Establish an Accounting Standards Advisory Forum'**

Dear members of the EFRAG Supervisory Board,

Please find enclosed a copy of our comment letter to the IFRS Foundation on the above subject.

We strongly believe that the points raised in our comment letter to the IFRS Foundation should feature in EFRAG's final letter as well. Those points were shared by many, albeit in varying degrees, that were attending the 11 December 2012 CFSS discussions of these proposals.

We also have a number of observations on the EFRAG position, but given the fact that EFRAG has a later deadline for its comment letter, they have to relate to the EFRAG revised draft comment letter available at the meeting referred to above.

#### **Process**

We think it is unfortunate that EFRAG released a draft comment letter first, followed by a discussion later with national standards setters. In our view, the whole process would have been much better served if this would have been the other way around. Recently, EFRAG has taken the first steps towards restructuring its arrangements in seeking earlier input from national standard setters for its own processes. This would have been an ideal example of where to apply those new arrangements. In our opinion, it might have led also to a better outcome.

## **Governance**

In many ways we are back to the governance discussions that were terminated earlier this year. In the view of EFRAG, it is best positioned to participate on behalf of Europe in the to be established Accounting Standards Advisory Forum (ASAF). There may be some merit in this, but it can only work if the governance arrangements within EFRAG enable that, i.e. that EFRAG truly represents national standard setters and their views. At present, it does not and it was never set up to do that.

If EFRAG would be representing Europe in ASAF, the question arises what views it will represent in this context? Are those the consensus and/or collective views of Europe or does it listen to all involved and then takes its own independent decision? Our impression is that it may be the latter, but we are unsure of this. That also depends on which EFRAG is representing Europe at ASAF: is it EFRAG TEG or EFRAG general? With EFRAG TEG one would be in option two, i.e. the independent view, with EFRAG general one would be in option one, i.e. the consensus/ collective model. At least the question arises, who takes the decisions here? And where do the views of national standard setters fit into all this?

We believe this needs to be cleared up with some urgency, because it would drive the whole concept of mandating EFRAG at ASAF. The fact that the comment letter on the ASAF proposals will be issued by the EFRAG Supervisory Board enforces that need for resolution. It also raises the due process question. Will the EFRAG Supervisory Board, having heard all national standard setters, finalize its comment letter on a collective basis or on an independent basis? And that same question will be raised every time EFRAG represents Europe at the ASAF meeting. That needs addressing now rather than on a piecemeal basis going forward.

## **Clarity**

In our opinion, the EFRAG comments are not always clear. For instance, we are not sure whether EFRAG is making a proposal to be in charge of all three seats for Europe or making a case to attend ASAF with more representatives than the allocated seat? We would much prefer a European solution to the question of seat allocation in ASAF, that is to say we in Europe should determine a common basis for filling those seats rather than have the IASB decide that.

We note that the EFRAG draft comment letter argues for a softening up of some of the MoU commitments. We probably understand what EFRAG means, if we read between the lines, but wonder why EFRAG should make this point. If it does, why not be more specific? And if that is the point, do we all agree with it? Possibly not, if we recall all the comments regarding the SEC non-decision of this summer in recent meetings, also by the EC.

## **Time**

These are all big issues and we cannot see them resolved in a few weeks, reason why we have made the point that more time is needed, if alone for the resolution of our own process and governance matters. We need to organize ourselves appropriately to ensure that on the one hand we can claim the responsibility for the three European seats and on the other hand that EFRAG is properly mandated to fulfill that role in ASAF. We believe that that not only would require a sense of urgency regarding the EFRAG process changes but also of the overall EFRAG governance review.

**Conclusion**

We have some expectations from the discussions of 11 December 2012 that the observations made in this letter and the one to the IFRS Foundation will be taken up by the EFRAG Supervisory Board in its final comment letter. That would in our view help to start a constructive process that should result in a robust position for all of us in the context of these proposals.

Obviously, we would be pleased to discuss these issues further, should you so wish.

Yours sincerely,

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H. de Munnik  
Chairman Dutch Accounting Standards Board

Annex: DASB comment letter IFRS Foundation

IFRS Foundation  
Attn. Mr Michel Prada  
30 Cannon Street  
London  
EC4M 6XH  
United Kingdom

Secretariaat:  
Antonio Vivaldistraat 2-8, 1083 GR Amsterdam  
Postbus 7984, 1008 AD Amsterdam

T +31(0)20 301 02 35  
F +31(0)20 301 03 02  
rj@rjnet.nl  
www.rjnet.nl

Our ref : RJ-Div. 4060  
Date : Amsterdam, 17 December 2012  
Re : **Invitation to Comment: 'Proposal to Establish an Accounting Standards Advisory Forum'**

Dear Mr Prada,

In response to the above proposals please find below a summary of our observations.

#### **Due process**

Our first observation concerns due process. We do not understand why these proposals need to be rushed through in a comment period of only 45 days. That leaves insufficient time for proper consideration and consultation, also with other local standard setters in our region. Where these proposals are viewed by some as potentially controversial, we cannot see why say an additional month or so could not have been allowed by the Foundation. What is burning that needs to be addressed in such a hurried fashion? We cannot see what harm can be done if the related decisions take some more time and result in a more robust arrangement and better understanding by all.

#### **Relationship with local standard setters**

Another observation is on the relationship between the IASB and local standard setters. This is an important aspect stated in the outcome of the Foundation's strategy review, i.e. that 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.

Until a few years ago we had a direct liaison with one of the IASB board members. We appreciate that it was difficult to continue that arrangement with the increased reach of IFRS globally, but since its abandonment nothing has replaced it.

Membership of the Accounting Standards Advisory Forum (ASAF) is by invitation, as we understand, by the IASB. There are some criteria mentioned which in our view mainly favour larger standard setters and organizations. The bigger question here is whether the inclusion of the invited twelve is to the exclusion of all other local standard setters? How does the IASB ensure that they stay involved and are not demoted to a form of second class citizenship? How does this fit in with the strategy objective as quoted above? Or is it up to the selected twelve to ensure continued commitment from those excluded? The proposals are largely silent on this, where we believe this to be an aspect that needs serious consideration prior to the finalization of the decisions on the formation of ASAF.

There is some assumption expressed in the proposals that this is up to the regional organizations, but we question whether they all have the capabilities in place, certainly at this moment, to honour such a commitment. It will also take time to get such regional arrangements operational, if at all possible. In addition, we note that regional bodies are not standard setters.

There is also some reference to the WSS and IFASS meetings as opportunities to fulfil the relationship commitment. Given the size and frequency of these meetings, we do not agree with that view at all.

In many ways we feel that those that have adopted IFRS currently receive less attention than those that are still considering conversion. We think that the IASB should continue to invest significant time in those that are already part of the IFRS community. These proposals appear to go the other way.

### **Place and objective**

We now see yet another consultative body being established within the IASB hierarchy, where there are already many. The proposals are unclear about the interaction between all these bodies. Where does it fit in? What is its relationship with the other bodies? Is there not a potential danger of duplication and of increased complexity? Also, where the focus currently appears to be on technical matters, it is not exactly clear what the boundaries thereof are. Is the focus subject to change and can it evolve into something else over time?

Moreover, we fail to see what the overriding objective of these proposals is, other than simplifying the relationship arrangements from an IASB point of view. We have difficulty in understanding how this is going to enhance the standard setting process. And, as expressed before, we are seriously troubled by the retrenchment in the relationship with other local standard setters as a result of this.

### **Commitments**

Those questions are also relevant in order to understand what the commitments listed in the MoU really mean in practice. ASAF members are to subscribe to these commitments but it remains largely unclear what the IASB commitments are in this respect. If there is some general consensus on certain technical matters, does that mean that ASAF members are bound to this? And is the IASB?

The proposals talk about the risk to the independence of the IASB if there is a formalization of the cooperation with local standards setters. If that is the case, then why draw up these proposals? The formalization now is one-sided, i.e. to the twelve ASAF members. If this is to be a relationship, then commitments need to come from both sides. Why should one invest in such a “partnership”, if it is entirely up to the IASB to choose what to take from it?

### **Seat allocation**

With the twelve members envisaged for ASAF we see some of the logic in the geographical distribution of seats. However, under some assumptions for the selection there is a risk that only a few countries that have actually adopted IFRS are part of ASAF. The rationale for such an outcome is not explained in the proposals.

Taking into account our earlier comments on the potential for regional organizations to involve local standards setters, that also raises the question whether the seat allocation should be entirely decided by the IASB or whether there should be some room for regional decision making in this respect. The organization of such regional involvement of local standard setters may well result in the need for a different allocation than the IASB has in mind. In addition, it may trigger the question whether a strict limit of twelve is really necessary and whether an increased size of ASAF with one or two seats would not be possible, should circumstances require that.

### **Other matters**

Is it really necessary to determine that all meetings need to be held in London, thereby excluding the potential for efficiency, i.e. when there is opportunity to combine this with other meetings? We think this requirement should be taken out of the proposals.

A more important one is the matter of who should chair the meetings? That comes back to the question of commitments and the somewhat lopsided position of the twelve ASAF members, as we read it. We are of the opinion that the agenda for such meetings should be open and not only driven by whatever the IASB believes is important. It is unclear to us whether ASAF members can table agenda items or not. In that sense, it would be preferable if the ASAF meetings would be chaired by one of the twelve (perhaps on a rotational basis) to ensure that all relevant matters are considered at those meetings.

Currently, attendance of other IAS board members is not envisaged at the ASAF meetings. However, we believe that if subjects or projects are tabled that are part of the remit of board members other than the chair and vice-chair, then those board members should attend to ensure that the necessary direct linkage is established with regard to such matters.

**In conclusion**

We have restricted ourselves to some of the more important aspects of these proposals and left out other details. We are sure that these proposals are written with the best of intentions but also believe that a number aspects have not been fully thought through, as outlined above. Therefore, as we said in the beginning, we all need more time to consider and to ensure that the end result is fit for all. If there is no flexibility in the present comment period, and we still believe that there should be, then a practical option could be a re-exposure of these proposals after you have reviewed all comments received. As presently drafted, these proposals need in our view a number of essential changes and clarifications.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left that curves into a horizontal line extending to the right, ending in a small hook.

H. de Munnik  
Chairman Dutch Accounting Standards Board