

Mr. Michel Prada
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**Invitation to Comment:
Proposal to Establish an Accounting Standards Advisory Forum**

Dear Mr. Prada

As the German Insurance Association we appreciate the opportunity to comment on the proposal to establish an Accounting Standards Advisory Forum (ASAF) at the International Accounting Standards Board.

The GDV appreciates the efforts of the IFRS Foundation to set up the relationships with national standard setters and 'other regional bodies' around the world on a more productive and efficient basis. But there are still some inconsistencies in the proposal which we have highlighted in the appendix and on which we would like to draw the attention of the IFRS Foundation.

Please do not hesitate to contact us if you need any further explanation.

Yours sincerely,



Dr. Axel Wehling



Hans-Juergen Saeglitz

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

We write to you as the GDV, the German Insurance Association, representing 473 German insurance companies, to respond to the "Proposal to Establish an Accounting Standards Advisory Forum", issued by the IFRS Foundation on 1 November 2012. The GDV appreciates the opportunity to share its view on the proposed establishment of a new advisory group.

The communicated purpose of the new group, the Accounting Standards Advisory Forum (ASAF), is to provide technical advice and feedback to the International Accounting Standards Board (IASB). We understand and support the objective followed by the IFRS Foundation to put its current bilateral relationships with national standard setters (NSS) and 'other regional bodies' around the world on a more productive and efficient basis. We understand that especially contributions on specific local circumstances and also the utilization of the high level technical knowledge of the NSS and 'other regional bodies' during the standard setting process will be maintained and should be used in a more efficient way.

However, we would like to highlight the need to continue the existing direct regular exchange with industry associations which is especially of enormous importance with regard to standards projects which might have huge impact e.g. for the insurance industry (e.g. the insurance contracts project (IFRS 4) or the financial instruments project (IFRS 9)). Therefore we suggest clarifying the future role and importance of regional organisations and national and multinational industry associations regarding their relationships to the future ASAF working process. A suitable approach would be to introduce a formal **observer status** for interested industry associations, so they are proactively engaged and informed on regular basis about the issues the ASAF will be dealing with. This would help to create the high level of transparency of the work of the ASAF.

Furthermore, we encourage the IFRS Foundation to have a more holistic view on the whole current structure of the technical working level of the IASB. Especially the future role and importance of the existing working groups (e.g. insurance working group, financial instruments working group) should be reconfirmed as an important one. We are afraid that their future role could be effectively reduced. And last but not least we are not clear about the future interaction between the new ASAF and the existing IFRS Advisory Council as also ASAF should focus "more on strategic technical issues" (paragraph 6.20). We encourage the IFRS Foundation to address these interdependences in more explicit way.

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The GDV appreciates the efforts of the IFRS Foundation to achieve a balanced representation in the new ASAF. However, we are very concerned if the proposed three seats for Europe (incl. Non-EU countries) would allow an appropriate representation of the European diversity. We suggest an increase of the number of seats until sixteen or twenty. We are convinced that effective and productive work on the technical level can be managed even in the case when the future ASAF would have more than twelve permanent members (e.g. composition of the IASB Board itself).

We explicitly support the European Financial Reporting Advisory Group (EFRAG) as the 'other regional body' to become a permanent member of the ASAF. Since EFRAG is not the standard setter of European Union (EU) but mainly an advisory body of the European Commission with regard to the EU-endorsement of the IFRS, we believe that European NSS should also be represented in the ASAF in an appropriate way. European countries are the main users of the IFRS. The EU decision to require the use of the IFRS for consolidated financial statements of capital market oriented entities contributed essentially to the current global importance of the IASB.

Thus, we support important standard setters like the Accounting Standards Committee of Germany (ASCG) as members for ASAF. The ASCG is not only one of the most active standard setters of Europe but has the technical knowledge and resources to effectively contribute to technical work of ASAF on high level of expertise on regular basis.

Please find our detailed comments to your questions below.

Question 1:

Do you agree with the proposed commitments to be made by ASAF members (paragraph 6.4) and that they should be formalised in a Memorandum of Understanding (paragraph 6.5)? Why or why not?

We are not opposed to the general spirit of the proposed commitments and believe that formalising them in a Memorandum of Understanding (MoU) will give this new Forum the needed united basis and common understanding of objectives. We agree with the need for a global coordination with NSS and 'other regional bodies' (e.g. EFRAG in the EU) that can lead to a decreased risk of non-adoption/endorsement of IASB standards.

However, we question the commitments 3 and 4 which require general support for consistent application of IFRSs (as issued) and best efforts to promote the endorsement/adoption of IFRSs in full and without modifications over time. Having in mind that the independent IASB Board might reject to consider special local circumstances we are afraid that these commitments could politically paralyze EFRAG in fulfilling its duties. We believe that in some rare cases the delay of endorsement on European level is effectively the only feasible way of achieving a pragmatic solution. We encourage the IFRS Foundation to clarify the wording of the commitments 3 and 4 that proposed commitments are not intended to contradict other responsibilities of NSS or 'other regional bodies' (as e.g. EFRAG).

Finally, we suggest amending the proposed MoU that permanent members (e.g. EFRAG) are obliged to represent the wide range of cross-sectorial views of the regions or countries they are allowed to represent. The explicit knowledge of the diversity of views and practices is essential for the successful contribution of the ASAF to the high quality work of the IASB.

Question 2:

The Foundation believes that, in order to be effective, the ASAF needs to be compact in size, but large enough to allow for an appropriate global representation. Do you agree with the proposed size and composition as set out in paragraphs 6.7–6.13? Why or why not?

We believe that clear, robust and transparent criteria for the process of ASAF member appointments should be set up. We believe that a fully transparent process will be essential for ensuring the expected and needed strong legitimacy to the ASAF existence and its contributions.

However, we question the proposed composition with regard to the absolute number of members; the suggested size will not allow the IFRS Foundation to fully reflect e.g. the diversity of Europe.

Although we support EFRAG as an 'other regional body' as a permanent member of ASAF, we do not consider the approach of one 'rotating seat' for all the NSS of the EU being a suitable approach as it would not reflect the role of European standard setters in an appropriate way. For further rationale we refer to our general remarks above.

In addition, we encourage the IFRS Foundation to create the observer status for NSS or interested industry associations which are not appointed as permanent members of ASAF.

With regard to paragraph 6.14 we believe that it should be an independent decision of the future member organisations of ASAF who will get the right to attend the meeting as their official representative. Thus, the organisations should have the flexibility to organize themselves rather than the membership being connected to individual persons. Furthermore, the representatives should be allowed to be accompanied by one specialist or practitioner where appropriate/helpful for their assessment.

With regard to the chairmanship of the ASAF (paragraph 6.19) we consider it more appropriate if the ASAF members would make their own independent decision at their initial meeting. However, we fully encourage the representation of the IASB Chairman or Vice-Chairman at the meetings of ASAF to have close linkage to the Boards discussions. We believe that the representation of the IASB during the meeting of the ASAF should be further elaborated to allow for greater interaction between the ASAF and IASB on the technical level. As expressed above, we consider this as a main goal of the creation of ASAF. The physical regular attendance of the IASB members and the IASB staff at the ASAF meetings is of essential importance as the IFRS Foundation's Proposal does not require voting for the final ASAF statements. We support this approach as a suitable attempt to encourage a free exchange of views between the technical experts of ASAF and IASB.

We hope our comments provide a useful support to the IFRS Foundation in reaching final conclusions on the role and composition of the new technical group. If you would like to discuss our comments in more detail we would be very delighted.