



December 17, 2012

Michel Prada, Chairman
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Prada:

Financial Executives International (FEI) is writing to provide its views on the Invitation to Comment (ITC), "Proposal to Establish an Accounting Standards Advisory Forum (ASAF)." FEI supports the idea of forming an Accounting Standards Advisory Forum (ASAF) in concept. However, we believe certain elements of the proposal should be modified to better accommodate the varying circumstances of the major jurisdictions that have not yet adopted IFRS. The goal of this forum should be inclusiveness and to draw upon all points of view, not simply the views of those jurisdictions that have adopted IFRS.

Our specific comments on the proposals outlined in the ITC are summarized below.

Objective of the ASAF

We commend the IASB for putting forward the idea of a forum for standard setting stakeholders to meet regularly and discuss matters of mutual interest. In our view, this forum should be different from and much broader than the role played by existing advisory bodies, such as the Standards Advisory Council and the Global Preparers Forum, which tend to focus almost exclusively on the IASB's agenda.

Rather, we believe that this group should focus more broadly on matters that are vital to achieving convergence of accounting standards around the world. That objective dictates that the meetings of the ASAF should be on matters that are of the greatest importance to convergence, whether they are on the IASB's agenda or not.

It also means that participation by key standard setters should be sought without limitation or stipulation. In particular, in the interest of furthering convergence the IASB should seek involvement from standard setters in jurisdictions that will have the most significant impact on financial reporting to investors. That would suggest that membership should draw heavily from stakeholders in the world's largest capital markets.

Composition

We note that the ITC suggests that the IFRS Foundation would require the jurisdiction to sign an MOU, as a pre-condition for participation, that the standard setting bodies would, among other things, commit themselves "making their best efforts to promote the endorsement/adoption of IFRSs in full and without modification over time". This is concerning for a number of reasons, including:

- We observe that modifications have been and will continue to be made to IFRSs locally as there inevitably are unique circumstances not contemplated by the standard.
- Such a pre-requisite may cause jurisdictions that have not yet decided upon adoption of IFRS or have modified IFRS in some way to decide not to participate.
- We do not believe that limiting participation in this way is helpful to achieving the objective of the ASAF.
- We also believe that this approach sends the negative and cautionary signal to the world community as to how the IFRS Foundation intends to promote adoption its standards.

Said differently, we believe that the creation of the ASAF should be premised on obtaining the best and most useful feedback possible, which would not be limited solely to those jurisdictions that are willing to submit to such a precondition. We also believe that the IFRS Foundation should contemplate the very real possibility that some jurisdictions may never adopt IFRS and consider how to ensure that the objective of promoting convergence of global standards will continue. That objective would seem to be more achievable with an inclusive approach.

There is a difficult challenge of balancing the need to keep the size of the group manageable while also meeting the desire by jurisdictions for representation. The proposal in the ITC is 12 members (in addition to any IASB members present), with geographic representation, and 2 "world at large" seats.

Generally speaking, the larger the group is, the less robust the discussion will be. With a smaller group, there is potential for in-depth discussion of issues and solutions. For standards to be suitable globally, the world's largest capital markets should be included and membership should be determined based on

global capital market share. If the desire for broader representation becomes an obstacle to achieving the objectives of the ASAF, the IFRS Foundation should consider forming two groups: one for major markets, and one for developing markets.

Process

Paragraph 6.14 states that "...it is proposed that a single designated individual should be the member of the ASAF, which would most likely (be) the Chair or another senior member of the organization, given the required level of technical expertise." Under this model, this individual will provide the perspective of the standard setter they represent. In order for these individuals to provide something other than their personal opinions, members of the ASAF would need to follow some form of process locally to ensure that they can express the collective views of their organization. There are many unanswered questions about what form of local process would be optimal to provide thoughtful feedback and direction to the IASB members at ASAF meetings. While that may not be directly within the purview of the IFRSF to determine, we do believe it is appropriate to provide views on such matters in order to assure that there would be a reasonable level of quality and consistency in the input provided by the various members.

IASB Member Participation

We note that ITC proposes that IASB Board members would attend ASAF meetings only for agenda items for which they act as advisors to the staff. We believe attendance at such meetings by all Board members should be encouraged. Given the status of the individuals from the representatives from the various organizations and the advice they can provide, both formally at the ASAF meeting and in informal discussions, we believe it only makes sense for all IASB Board members to have the opportunity to participate in these meetings. We also believe that the matters discussed should be captured in detailed minutes rather than in a high level meeting summary, as this would likely be a document that would be useful to refer to in future periods.

We believe that the creation of the ASAF has the potential to be very beneficial to the convergence process. However, the key to the success of this effort lies in obtaining the right mix of members for the ASAF and in developing a thoughtful and thorough process for obtaining and considering their views.

December 17, 2012

We appreciate the opportunity to provide these views to the Board and we would be pleased to discuss these matters further at your convenience.

Sincerely,

A handwritten signature in cursive script, reading "Marie N. Hollein".

Marie N. Hollein
President and Chief Executive Officer
Financial Executives International