



Mr Michel Prada
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Dear Mr Prada,

Re: Proposal to Establish an Accounting Standards Advisory Forum

FEE (the Federation of European Accountants) is pleased to provide you below with its comments in relation to the IFRS Foundation's Proposal to Establish an Accounting Standards Advisory Forum ("the Proposal").

FEE welcomes the IFRS Foundation's proposal to establish an Accounting Standards Advisory Forum ("the ASAF") aimed at providing collective, sustainable and effective communication between the global community of National Standard Setters ("NSSs"), the regional bodies involved in accounting standard-setting and the IASB.

FEE agrees with the proposed role of the ASAF, which is to provide advice and views to the IASB on major technical issues related to its standard-setting activities and to provide relevant input on national and regional issues which may impact on standard-setting. We also agree with the objectives of the Proposal to formalise the relationship with NSSs and regional bodies and to enhance their participation in the IASB's activity by:

- Creating support by obtaining collective advice from NSSs and regional bodies on the IASB's standard-setting activity, particularly on strategically important technical issues, on a regular basis;
- Gaining access to global 'best experience', technical expertise, research capacity and resources; and
- Obtaining global views on emerging issues at an early stage of the standard setting activity as well as on implementation challenges and post-implementation issues.

The ASAF has a strictly advisory role

To meet these goals, it is important that the ASAF is perceived to be an *advisory body only*, providing advice on major technical issues to advance the work of the IASB. Therefore, its role as a separate external body should be sufficiently clear. Because of its composition and the technical nature of its discussions, there is otherwise a risk that the work of the ASAF will be seen as somehow binding or prejudicial to the IASB's own decisions on future standards. This could potentially weaken the position of the IASB as a global standard setter and compromise its independence.

Therefore, the establishment of an effective and transparent working mechanism, including clarity around the terms of reference and output of the ASAF and how the IASB deals with the advice received, would be necessary to ensure productive technical discussions between the IASB and the ASAF without undermining the standard-setting role of the IASB.

To this end, we support the proposal that the ASAF meetings would be held publicly and are webcast. However, in addition to that, we would also recommend that the agenda and the supporting documents for each meeting, including the minutes, are made publicly available on the IASB's website. This would help the understanding of the key projects under consideration and the main suggestions made to the IASB regarding its standard setting activity.

In addition, it is also suggested that an effective feedback mechanism should be established between the IASB and the ASAF. Since the ASAF is an advisory body only, we would agree that there should be no consensus seeking or voting on any issues. The different views of the ASAF members should however be accurately minuted and subsequently submitted to the IASB for its consideration.

In this respect, we would not expect the IASB to provide a detailed explanation of how the different suggestions have been taken into consideration, but to briefly reflect on how the input from the ASAF has been taken forward or not during the standard setting process. This feedback mechanism should be seen as a tool to increase transparency and enhance the effectiveness of the working relationship between the IASB and the ASAF without compromising the independence of the IASB.

Maintaining the IASB's wide public consultation

The IASB's wider accountability to stakeholders should not be limited as a result of the establishment of the ASAF and must continue to be evidenced by full compliance with the current due process of the IASB. Therefore, it is important that the existing, much wider due process of public consultation and consultation with other stakeholder groups (e.g. Global Preparers Forum, Capital Markets Advisory Committee and IFRS Advisory Council) continue in the future. We therefore agree with the observations made in the proposal that the ASAF should not preclude either the IASB nor the NSS and regional bodies from having or developing individual relationships with stakeholders (para 4.7). Maintaining a high quality due process, including a careful consideration of inputs provided by all stakeholders, is fundamental for the legitimacy and credibility of the IASB.

Chairmanship of the ASAF

We agree with the proposal that the ASAF would at its onset be chaired by either the IASB's Chairman or Vice-Chairman. We would also agree that members of the IASB would attend for the agenda items for which they act as Board advisors, accompanied by senior staff members as necessary.

However, we recommend that the ASAF's chairmanship should be reassessed after the first two years of its operation as part of the review process for the membership of the ASAF. During this reassessment, other alternatives should also be considered such as for instance the election of an independent chairman from amongst the representatives of the ASAF with the approval of the IFRS Trustees.

Interaction with other existing bodies within the IFRSF (e.g. IFRS Advisory Council)

We agree with the observation in paragraph 7.2 of the Proposal that the impact of the creation of the ASAF on existing IFRS Foundation's bodies should be considered. We believe that the IFRS Advisory Council is different from the ASAF, in that the Council is part of the Foundation, rather than an external advisory body to the IASB. The IFRS Advisory Council's membership is diverse, i.e. made up of a cross-section of stakeholders and focuses on advising the Board and Trustees on strategic, rather than technical matters. However, we believe that the different roles of the various advisory bodies should be clearly articulated and communicated by the IFRS Foundation to avoid potential confusions or misconceptions.

Because of the overlap in the membership between the ASAF and the IFRS Advisory Council, we suggest that the IFRS Foundation should consider revisiting the Terms of Reference and membership criteria of the IFRS Advisory Council. FEE will be happy to support and participate in such a development.

Advisory platform for the audit profession and regulators

FEE also notes that with the creation of the ASAF, the IASB will have a formal platform in place for dialogue with preparers, investors and standard setters. However, there is no platform to support a formal dialogue with the audit profession, including professional accountancy bodies, or with regulators. We believe that professional accountancy bodies, who have a declared public interest dimension and include all sections of the profession, including small and medium sized practitioners, are strongly positioned to make a major contribution. Therefore, in our view, there is merit in such a platform.

Regulators and the audit profession at large have an interest in issues pertaining to auditability and enforceability of new accounting standards and are committed to ensuring consistency of application of both new and existing standards. Therefore, there may be some advantage in creating a formal platform, which combines the audit profession and regulators as interested stakeholders. We encourage the Foundation to give further thought to establishing such an additional platform. FEE will be happy to support and participate in such a development.

Further responses to detailed questions in the Proposal are included in the Appendix to this letter.

For further information on this FEE letter, please contact Hilde Blomme at +32 2 285 40 77 or via email at hilde.blomme@fee.be or Tibor Siska at +32 2 285 40 74 or via email at tibor.siska@fee.be from the FEE Secretariat.

Yours sincerely,



André Killesse
President

APPENDIX 1

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?

FEE is supportive of the overall direction of the proposed commitments for the ASAF members and the underlying principles as set out in paragraph 4.7. We also agree that such commitments should be formalised in a Memorandum of Understanding.

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?

FEE agrees that the membership would be on the basis of organisational representation rather than on individual basis. We also agree that the organisations would be represented by a single designated individual, most likely the chairman or another senior member of the organisation.

We note that the size of the ASAF should be carefully assessed in line with its advisory role so that every member could be given sufficient opportunity to provide input from his or her perspective. Additionally, some flexibility should be allowed, for instance the addition of technical subject matter experts should be explored.

We agree that the total number of seats should be large enough for ASAF to be truly representative of major national accounting standard setters and regional bodies, yet small enough to accommodate meaningful technical discussions. We would not object to the number of seats being expanded beyond the currently proposed 12 seats as that appears to be necessary to meet the Forum's objectives, especially for better geographical balance.

For Europe, we suggest that the European Financial Reporting Advisory Group (EFRAG) should be a member of the ASAF.

Regarding the selection and the nomination process of the members, we would recommend providing further clarity on the criteria for ASAF membership. For example, it would be expected that the member organisations are able to demonstrate that they have the necessary resources and capability to support the ASAF's technical agenda and that their designated individuals have the required level of experience and technical expertise.

We also agree that the membership of the ASAF should be reviewed every two years, allowing for periodic rotation of members.