



By E-mail: yalmog@ifrs.org

IFRS Foundation
30 Cannon Street
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17 December 2012

Dear Ms Almog

Invitation to Comment - Proposal to Establish an Accounting Standards Advisory Forum

We appreciate the opportunity to respond to this consultation by the Trustees on establishing a new Accounting Standards Advisory Forum (ASAF) to advise the International Accounting Standards Board (IASB).

This response summarises the views of member firms of the PricewaterhouseCoopers network that commented on the consultation. "PricewaterhouseCoopers" refers to the member firms of PricewaterhouseCoopers International Limited, each of which is a separate legal entity.

Understanding the objectives - and limitations - of the Forum

We agree that it is important that the IASB receives high quality input from national standards setters (NSSs) and regional bodies on major technical matters related to its work programme and on national and regional issues. NSSs and regional bodies have wide-ranging engagement with other stakeholders in the jurisdictions in which they operate, and hence have valuable insights that they can contribute to the IASB.

We also understand and support the IASB's desire to streamline the current patchwork of bilateral relationships with NSSs and regional bodies. As more jurisdictions move to adopt IFRS, it will be increasingly important to find a practical and manageable means of harnessing the input that these bodies can provide.

At the same time, we believe the IASB and its stakeholders should be realistic about what the proposed Forum can achieve. It will be critical to the future development and global acceptance of IFRS standards that the expert input and experience of the community of NSSs is obtained in an effective way. A body with a necessarily limited membership, and which

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meets, say, four times a year for up to two days (as is suggested in paragraph 6.17 of the consultation paper), will not in isolation be able to satisfy the above objectives by providing comprehensive insights across the whole range of the IASB's technical activities. It is important that the way the proposed ASAF is constructed and implemented retains the trust of the NSSs. The proposed ASAF should be viewed in the context of, and more importantly as a *complement* to, the many other opportunities for engagement with NSSs and regional bodies (including the existing IFRS Advisory Council, the Emerging Economies Group, regional events and other outreach activities). Other mechanisms for communication and dialogue with NSSs that provide effective platforms for input to the technical activities should continue.

The paper states in paragraph 3.5 that the proposed activities of the Forum will run alongside the other roles that NSSs and regional bodies play in IFRS Foundation activities (for example in relation to research projects, secondments of staff, and providing advice and experience on specific issues). We agree with this, and suggest that the Trustees re-emphasise when finalising the specification of the Forum that it is not the intention to replace all other forms of engagement between the Board and NSSs and regional bodies.

Further, in taking forward the proposals, we believe the Trustees should allow adequate time to reflect on stakeholders' views received as a result of consultation and should re-articulate the objectives and scope of activities of the Forum to make clear that it is not intended to be a substitute for all the other channels of communication with NSSs and regional bodies. In particular, the final proposals should explain how those NSSs that are not included in the initial membership of the Forum can continue to contribute views on the IASB's technical activities. We believe this would help to reassure stakeholders that all views will be taken into account, and to obtain 'buy in' and support for the arrangements.

Proposed 'commitments'

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?

While we support the principle behind the proposed commitments, we do not see why the drawing up of formal 'commitments' and a Memorandum of Understanding (MoU) are necessary in order to achieve the objective of harnessing effective input from NSSs and regional bodies on technical matters.

Indeed, requiring a formal commitment or MoU seems at odds with the impression conveyed elsewhere in the consultation document that the ASAF is not intended to be a formal group requiring Constitutional recognition. By contrast, our understanding is that members of the existing IFRS Advisory Council (which is recognised in the Foundation's Constitution) are not required to sign such commitments.

Size and composition of the Forum

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 agree that the Forum should be compact in order to allow for effective and efficient operation and that it should be globally representative. Beyond those attributes, we do not have any particular views on the size and geographical composition of the proposed Forum.

Our understanding is that at least some in the national standards setting community have suggested alternative models of how to frame the dialogue between the IASB and NSSs, and that these would potentially involve a greater number of participating NSSs than are envisaged in the Foundation's proposals. Depending on how the Foundation proceeds, we believe there is a risk that a Forum with a limited number of participants may inadvertently 'disenfranchise' a number of NSSs that have a valuable contribution to make.

To mitigate this risk, we suggest the Foundation considers and then explains clearly the criteria for membership of the Forum and which body will be responsible for determining the membership based on those criteria. The Trustees should take the necessary time to ensure that the membership is sufficiently representative, even if this results in the Forum being established a little later than the IASB would prefer. Also, as indicated above, the Trustees should in finalising these proposals explain how those NSSs that are not included in the initial membership of the Forum can continue to provide views on major technical issues.

Other matters

Operational governance of the Forum

The consultation paper states that the Forum will be an advisory body to the IASB. Consequently, we do not consider that the Forum should be chaired by the IASB chairman (or by another Board member), since it would be inappropriate for the IASB chairman to direct a body that is responsible for providing advice to the Board.

While the Foundation could provide the infrastructure and staff resource for the Forum, it would be preferable for the Forum to be chaired either by a member from among the participating NSSs and regional bodies, or by a completely independent chair. (A parallel is with the IFRS Advisory Council, where some years ago it was decided that it was no longer appropriate for the IASB chairman to also chair the Council.)

Constitutional status

The existing IFRS Advisory Council is referred to in the Foundation's Constitution. Since the Forum is also designated an advisory body, and since we note that in recent public speeches



the IASB chairman has emphasised the importance of the proposed Forum to the IASB's future activities, we believe further consideration should be given to its constitutional status.

Evaluation of views on the proposals

The consultation document notes the desire to establish the Forum as quickly as possible and this seems to be reflected in the short (45 day) comment period for this consultation. However, in light of the considerations outlined above, we believe it may be necessary to take more time in order to evaluate views and to ensure that the ultimate design of the Forum achieves the desired support from NSSs and regional bodies, and from other stakeholders.

If you have any questions regarding this letter, please contact John Hitchins (+44 207 804 2497) or Graham Gilmour (+44 207 804 2297).

Yours sincerely

PricewaterhouseCoopers LLP