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Finance for Europe

14 December 2012

IFRS Foundation
30 Cannon Street
LONDON
EC4M 6XH

By email to: info@ifrs.org

Dear Sirs,

Proposal to establish an Accounting Standards Advisory Forum

I am writing on behalf of AFME (the Association for Financial Markets in Europe) to respond to the IFRSF Invitation to Comment on the Proposal to establish an Accounting Standards Advisory Forum (ASAF), which was published on 1 November. AFME is, as you know, the leading European trade association for firms active in investment banking and securities trading, and thus represents the shared interests of a broad range of participants in the wholesale financial markets.

We understand the desire to "formalise and streamline the IASB's collective engagement with the global community of NSS[1] and regional bodies in its standard setting process", and we broadly support the proposals to that end which are set out in the Invitation to Comment. We are however concerned that the proposed ASAF structure could impose an inappropriate degree of rigidity on these relationships, and thus reduce the effectiveness of the "... network of (NSS) and regional bodies involved with accounting standard-setting" whose importance is rightly stressed in the Trustees' February 2012 Report.

Specifically, we believe it is important that the establishment of the ASAF does not inhibit the use of bilateral or multilateral relationships between the IASB and NSS/regional bodies where these are appropriate to resolve specific accounting issues. As an example, there may from time to time be issues around the adoption of IFRS in Europe which would benefit from detailed discussion with EFRAG and/or selected European NSS before specific proposals are put to the ASAF.

[1] i.e. National Standard Setters

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More generally, it is important that the IASB, in considering the views expressed in ASAF meetings, continues to give full consideration to the views of individual NSS/regional bodies where a specific accounting issue directly affects their constituents, whether or not they are a member of the ASAF. Full transparency on the way in which the IASB takes account of such ASAF views will be essential if constituents are to be satisfied that due process is being followed and that the approach adopted by the IASB fully reflects their practical concerns.

As with any new structure the ASAF will take time to settle down, and it may well be that the initially proposed working model requires refining and/or supplementing in order to ensure that the IASB derives maximum benefit from this new forum. Accordingly, we recommend that the IFRSF conduct a full consultation on the effectiveness of the ASAF at the same time as the ASAF membership is first reviewed, i.e. two years after its establishment.

Our answers to the questions on page 4 of the Invitation to Comment are as follows:

Q1 *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?*

A We agree with the proposed commitments for members which are set out in paragraph 6.4 of the Invitation to Comment, and we support the proposal to formalise these in memoranda of understanding (MoU): as with our more general suggestion above, we recommend that the MoU should be reviewed after two years.

Q2 *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?*

A We agree with the proposed size and composition of the ASAF as set out in paragraphs 6.7 to 6.13 of the Invitation to Comment and, in line with our comments above, we support the proposal that this should be reviewed every two years. We are, however, concerned by the suggestion in the draft EFRAG letter, which we understand is also supported by the European Commission, that EFRAG should be the sole ASAF representative for the 27 EU Member States. Given the critical role of IFRS in the EU, particularly in the major economies, we believe it is essential that at least one EU NSS should be separately represented on the ASAF – ideally one of UK/France/Germany/Italy on a rotational basis.

On a related point, we hope it will be taken as self-evident that the FASB should have one of the three ASAF seats allocated to the Americas. While the prospects for convergence between IFRS and US GAAP may, at least in the short or medium term, be seen to be significantly diminished, the fact remains that many of the largest global companies,

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including virtually all firms represented on the AFME Accounting Committee, have reporting obligations under both sets of standards. It is, we believe, very much in the interests of these companies, of users of their financial statements, and of anyone who wishes to draw comparisons with other similar entities, that the differences between IFRS and US GAAP should be kept to the minimum possible, an objective which would be difficult, if not impossible, to achieve if the FASB is not a member of the ASAF.

I hope the above comments are helpful. Please do not hesitate to get in touch if there are any points on which you would like clarification, or where you believe further discussion might be useful.

Yours faithfully,

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