

November 2012

IFRS Foundation®

Invitation to Comment

# Proposal to Establish an Accounting Standards Advisory Forum

Comments to be received by 17 December 2012



# **Proposal to Establish an Accounting Standards Advisory Forum**

November 2012

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## PROPOSAL TO ESTABLISH AN ACCOUNTING STANDARDS ADVISORY FORUM: FORMALISING THE ENGAGEMENT WITH NATIONAL STANDARD-SETTERS IN THE IASB'S STANDARD-SETTING PROCESS

### Invitation to comment

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The Foundation invites comments on any aspect of the proposal to establish an Accounting Standards Advisory Forum (ASAF), as set out in this paper. The Foundation would particularly welcome answers to the questions set out 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?

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?

The deadline for comments is **17 December 2012**. We expect to consider comment letter responses at a meeting of the Trustees in January 2013, with the aim of setting up the ASAF as soon as possible after that date. The Foundation acknowledges that this is an ambitious timetable, but believes that establishing the ASAF is an important priority, because we expect the ASAF to be active as soon as possible to support the work of the IASB's new agenda.

### 1 Purpose of the paper

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The purpose of this paper is to seek views on a proposal by the IFRS Foundation on how the relationship between National Standard-Setters (NSS) and other regional bodies and the International Accounting Standards Board (IASB) might be formalised and how the IASB can better engage with them on a collective basis. Now that the convergence programme with the US Financial Accounting Standards Board (FASB) is coming to an end and the use of IFRSs is spreading around the world, there is a pressing need for the IASB to rationalise its relationships with NSS and regional bodies and to put them onto a more logistically sustainable and compact basis.

### 2 Context: the Strategy Review

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2.1 During 2011 the Trustees of the IFRS Foundation carried out a comprehensive review of the organisation's strategy, which culminated in February 2012 with the publication of a report entitled: *Report of the Trustees' Strategy Review 2011—IFRSs as the Global Standard: Setting a Strategy for the Foundation's Second Decade* (the Strategy Review).

2.2 In that report, the Trustees recommended (in Section C5) that:

*"The IFRS Foundation and the IASB should encourage the maintenance of a network of national accounting standard-setting bodies and regional bodies involved with accounting standard-setting as an integral part of the global standard-setting process. In addition to performing functions within their mandates, national accounting standard-setting bodies and regional bodies involved with accounting standard-setting should continue to undertake research, provide guidance on the IASB's priorities, encourage stakeholder input from their own jurisdiction into the IASB's due process and identify emerging issues".*

- 2.3 In addition, the report emphasised that these bodies have important, specified and independent roles within their own national and regional contexts.
- 2.4 The importance of a network of NSS and regional bodies involved with accounting standard-setting is also highlighted in the draft *IFRS Foundation Due Process Handbook*, which was issued for public comment on 8 May 2012 (see paragraphs 3.48 to 3.51 in particular).
- 2.5 In the Strategy Review report, the Trustees also recommended that the IASB should work with a network of stakeholders that would be wider than only NSS and regional bodies, including securities regulators and audit regulators, and the proposals in this paper will need to be considered within the context of developing those wider relationships.

### 3 Background: the current relationship with NSS

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- 3.1 The IFRS Foundation and the IASB have always acknowledged the importance of relationships with NSS and regional bodies that are involved with accounting standard-setting, for example:
  - the initial composition of the IASB, in 2001, included seven full-time members who had formal liaison responsibilities with the major NSS (Australia/New Zealand, Canada, France, Germany, Japan, UK and the USA). As a group, the liaison standard-setters met regularly with the IASB to discuss strategic and high-level issues;
  - following the first Constitution Review, completed in 2005, the Trustees expanded the scope of liaison as recognised in the Constitution beyond the bodies for whom seven IASB members had, until that time, provided formal links;
  - to foster the exchange of communications between national and regional standard-setting bodies and the IASB, the IASB has, since 2002, hosted an annual conference for the world's financial reporting standard-setters, known as the World Standard-Setters (WSS) meeting;
  - the current IASB *Due Process Handbook* (February 2012) highlights that the importance of close co-ordination between the IASB's due process and that of other accounting standard-setters is an essential factor in promoting the success of the IASB (paragraph 84).
- 3.2 In recent years, substantial resources have been devoted by the IASB to bilateral arrangements with the Accounting Standards Board of Japan, the European Financial Reporting Advisory Group (EFRAG) and most notably to the *Roadmap for Convergence between IFRSs and US GAAP* with the FASB, which was signed in 2002. Public statements made recently by both the FASB and the IASB indicated that this arrangement will terminate after the completion of the remaining convergence projects, which is expected next year. (See Appendix A for a more detailed description of the current relationship with NSS).
- 3.3 The majority of the IASB's relationships with NSS and regional bodies have been conducted through a range of less formal, more ad-hoc arrangements. These have grown and become more complicated over the years, in particular with developments such the wider use of IFRSs around the world.
- 3.4 In addition, and following the broadening of the liaison link with NSS, in February 2006 the IASB and the NSS developed and issued a Statement of Best Practice *Working Relationships between the IASB and other Accounting Standard-Setters*. The Statement identifies a range of activities that the IASB and other accounting standard-setters believe they should undertake in the interests of facilitating the adoption of, or convergence with, IFRSs, including:
  - communication, both between standard-setters and their own interested parties and among standard-setters themselves;

- project development, including the ways in which other accounting standard-setters can assist the IASB in progressing particular projects;
  - input on IASB consultative documents;
  - the processes and approaches that other NSS might employ in adopting or converging with IFRSs; and
  - co-operation in the development of interpretations of IFRSs.
- 3.5 NSS (and now regional bodies) play an important role in areas such as: commenting on IASB consultative documents and encouraging their interested parties to do so; playing a direct role in particular on research projects, or seconding staff to be part of a project team on an IASB standards-level project; and providing advice and experience on actual and potential issues that are particular to their own jurisdiction for the agenda of the IFRS Interpretations Committee. The proposed activities of the ASAF will run alongside these roles and will not replace them. NSS and regional bodies around the world will continue to work with the IASB on research, implementation challenges, outreach activities, field testing and post-implementation reviews. The proposals in this paper do not impinge upon the ability of NSS and regional bodies to continue to play a role in these areas, and nor does it propose to replace these activities but instead to complement them.

#### **4 What does the IFRS Foundation want to achieve and why is a formalised relationship with NSS important?**

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- 4.1 As the Strategy Review has highlighted, developing a single-set of high quality accounting standards needs to take into account a variety of perspectives. The Trustees believe that the IASB can best account for these differing perspectives through effective stakeholder engagement with a broad range of parties as part of its due process. In order to achieve global acceptance of IFRSs, the IASB needs the support of NSS and regional bodies.
- 4.2 In addition, the rapid growth of the use of IFRSs around the world has brought with it an increased risk of incidences of non-endorsement/adoption of those Standards. The acceptance of Standards will be made easier if NSS and regional bodies feel a sense of partnership and ownership of IFRSs, through both playing an active role in their development and understanding the local/regional effects of any new Standard. A number of NSS and regional bodies also play a role in the endorsement and adoption of IFRSs in their jurisdictions, and their active and formal engagement throughout the development of a Standard can help to smooth any endorsement/adoption process.
- 4.3 The aim is that the relationship will be based on productive discussions on technical issues, in sufficient depth, that will contribute to the technical work of the IASB.
- 4.4 As noted above, while there is a strong interaction between the IASB and NSS and regional bodies, it lacks a firm institutional basis. Over the years, a large number of formal and informal relationships have been developed, with a lot of overlap, and there is a need for rationalisation. Streamlining those relationships and putting the engagement between the IASB and NSS and regional bodies onto a more formal basis is necessary. With the convergence project coming to an end the time is now right to work on building a new and rationalised relationship model between the IASB and NSS and regional bodies around the world.
- 4.5 Any formalisation would need to recognise that NSS operate under their specific national mandates and that at least one of the regional bodies (EFRAG) has a role to play in the endorsement of IFRSs in the EU.

- 4.6 From an IASB perspective, there are risks to establishing such a formal relationship. There is a danger that it could compromise the independence of the IASB and give the NSS and regional bodies an effective power of veto within the IFRS standard setting process. There is also a danger that it could add another layer of complexity to the IASB's existing web of relationships.
- 4.7 To alleviate such risks, and to manage expectations, it is important to establish some overriding principles on which the relationship between the IASB and NSS and regional bodies is based, including:
- a sense of commitment, responsibility and accountability for achieving the shared goal of a single set of globally accepted high-quality accounting standards, which requires any engagement to be conducted in a constructive and positive way with the aim of reaching the best global solution;
  - a clear commitment to independence: it is important that any formal mechanism is advisory only and does not compromise the independence of the IASB in developing IFRSs and thereby make it subject to national and/or regional special interest claims. On the technical content of IFRSs, the IASB will have the last word, after completing all the necessary formal consultations. Equally, the IASB will respect the independent roles that NSS and regional bodies have within their own national and regional context;
  - transparency and openness, including sharing of information and seeking a better co-ordination of resources; and
  - maintaining open relationships with other stakeholders: any such co-ordination mechanism should not preclude either the IASB or the NSS and regional bodies from having individual relationships with stakeholders and there should be no restriction on the ability of either party to develop and maintain their own relationships.

## 5 The challenge: engaging with the NSS community

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- 5.1 The current NSS community is very wide and diverse, so getting engagement from NSS and regional bodies to play a greater and more integrated part will be a major challenge. The current list held by the IASB for the WSS conference details standard-setters from 119 separate jurisdictions, plus a number of regional bodies. NSS vary significantly in their characteristics, including:
- their composition and resources (including the mix of full-time and part-time members and staff);
  - the roles that they play, including in the local endorsement/adoption of IFRSs;
  - the range of expertise they have;
  - the involvement/participation they have in regional and international groupings; and
  - their nature, ranging from independent, full-time private sector bodies to units within government departments.
- 5.2 The closest the community of NSS and regional bodies has to a global group is the International Forum of Accounting Standard-Setters (IFASS), which is an informal network that meets twice a year to discuss matters of common interest. However, IFASS has:
- no membership criteria. Any organisation that has a domestic responsibility to develop or adopt accounting standards for a jurisdiction can participate—IFASS has grown into a large

group, which would be too unwieldy for detailed technical discussions on current topics on a timely basis;

- no Memorandum of Understanding—no specific goal is articulated, other than a stated intention of discussing matters of interest to accounting standard-setters and liaising with the IASB;
- no formal governance structure, staffing or secretariat or funding arrangements; and
- no co-ordinated responses to any IASB or IFRS Foundation request for views, although those requests are discussed by the members at the meetings.

5.3 Under these circumstances, the Foundation's view is that IFASS cannot function as an underlying organisation or as a single contact point for the IASB in engaging with the NSS community in the near future. However, IFASS is, and will continue to be acknowledged as, providing a useful forum to support the engagement of the IASB with NSS and regional bodies; in particular in the upstream work, for example before an issue comes to the IASB agenda.

5.4 Over the years, there has been a growth in the establishment of regional bodies, starting with the establishment of EFRAG in 2001. While not a standard-setter itself, EFRAG works in co-operation with the NSS in the European Economic Area (EEA) and convenes a quarterly Consultative Forum of Standard-Setters (CFSS).

5.5 More recently, regional groups of standard-setters have been set up, in particular in Asia-Oceania (the Asian-Oceanian Standard-Setters Group, AOSSG—in late 2009) and Latin America (the Group of Latin American Standard-Setters, GLASS – in 2011) and in Africa (Pan-African Federation of Accountants, PAFA). The IASB has supported the establishment of these regional groups, which have developed well in their short history. The clear advantage is that such bodies serve their regions well and that they are important counterparts for the IASB. It is important to realise, though, that they have not yet reached complete global coverage. However, even within the regional groups there is the same variability in capabilities as outlined in paragraph 5.1 above and at least one of the groups includes capacity-building within its objectives.

## **6 Proposals for developing the relationships with NSS and regional bodies**

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6.1 The proposal described below seeks to formalise and streamline the IASB's collective engagement with the global community of NSS and regional bodies in its standard setting process.

### **Accounting Standards Advisory Forum**

6.2 The staff have been considering a range of options as to how this global engagement might best be achieved, in a way that respects the roles of the IASB and NSS and regional bodies as independent decision-makers within their own mandates and that contributes throughout the due process cycle. From the options considered so far, our preference is to consider the establishment of a body of NSS and regional bodies.

## **The role of the ASAF**

- 6.3 The role of the ASAF would be to provide advice and views to the IASB on major technical issues related to its standard-setting activities and to provide input on national and regional issues. The aim is to have representation at a high level of professional capability and with a good knowledge of their jurisdictions/regions so that this can be expressed clearly and discussed thoroughly with the IASB. It will be necessary to ensure that the ASAF is effective in providing essential technical advice to the IASB. Because the ASAF will be an advisory body, there will be no voting.

## **Commitments**

- 6.4 In establishing such a forum, as well as by applying the principles set out in paragraph 4.7 above, what the IFRS Foundation would like participating NSS and regional bodies to commit themselves to more formally is:
- 1 supporting the IFRS Foundation's mission to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards;
  - 2 encouraging input from their jurisdiction/region to the technical activities of the IASB, in order to contribute to a single set of high quality, understandable, enforceable and globally accepted financial reporting standards;
  - 3 supporting consistent application of IFRSs by jurisdiction and in the region;
  - 4 making their best efforts to promote the endorsement/adoption of IFRSs in full and without modification over time (recognising that, at present, jurisdictions are at different stages in moving towards IFRSs and have adopted different mechanisms to achieve this); and
  - 5 in addition, any member would need to have the resources and capability to play a full role in the ASAF's technical work, including preparation for meetings and participation in substantive technical discussions. There is a wealth of experience and expertise within the community of NSS and regional bodies and the aim is to harness that to best effect.

- 6.5 It would seem advisable to formalise these commitments by requesting members of the ASAF to sign a Memorandum of Understanding (MoU). There are precedents for this, for example the MoU that members of the AOSSG are required to sign, as well as the MoU between the IASB and the FASB.<sup>1</sup>
- 6.6 The IASB will be a signatory of the proposed MOU. Within that context it should be noted that, like the Global Preparers Forum, the Capital Markets Advisory Committee and the Emerging Economies Group, the Accounting Standards Advisory Forum will function as a representative group. Indeed it seems appropriate that the IASB will consult in a collective and efficient manner, within the standard-setting process, with NSS and other regional bodies and also with users and preparers. Because of its advisory role as a representative group, this consultation is not required to be formalised in the institutional structure of the Foundation (other consultation groups are not mentioned or required as part of the Constitution). However, the Foundation is committed to evaluating whether such formalisation (in the Constitution or in any other form) is required in the future. Nonetheless, such a review is not appropriate at the initiation of the two-year trial period for the ASAF.

### Size and composition

- 6.7 A major challenge of this project is to strike the right balance between the need to form a group that will include a range of relevant perspectives from the major geographical regions around the world, and the need to establish an effective forum that can discuss technical matters thoroughly. Consequently, it is essential to define the size of the group in a logical and consistent manner, and to come up with a formula that will be at the same time globally representative, technically effective and efficient. In the Foundation's view, a total of no more than 12 non-IASB members would provide an appropriate balance between allowing for effective debate and global representation. The IASB would be represented by the Chairman or the Vice-Chairman, possibly accompanied by another IASB member with specialist expertise where appropriate.

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1 " ... the FASB and the IASB reaffirmed their commitment to the convergence of US generally accepted accounting principles (US GAAP) and international Financial Reporting Standards (IFRSs). A common set of high quality global standards remains the long term strategic priority of both the FASB and the IASB"; A Roadmap for Convergence between IFRSs and US GAAP—2006-2008, Memorandum of Understanding between the FASB and the IASB, 2006

"We are redoubling our efforts to achieve a single set of high quality standards within the context of our respective independent standard-setting process"; FASB and IASB Reaffirm Commitment to Memorandum of Understanding – A Joint statement of the FASB and IASB, November 5, 2009

"The AOSSG aims, in the public interest of the region, to play an active role in technical activities of the IASB and contribute to a single set of high quality global financial reporting standards."; The Memorandum of Understanding on Asian-Oceanian Standard-Setters Group (AOSSG), 2009

"1. The International Accounting Standards Board and the International Federation of Accountants have objectives that include: a) the development in the public interest of high quality and enforceable global financial reporting standards to improve global financial reporting"; Memorandum of Understanding Between the International Accounting Standards Board and the International Federation of Accountants

"The International Accounting Standards Board (IASB), the Brazilian Federal Council of Accounting (CFC) and the Brazilian Accounting Pronouncements Committee (CPC), have through this document established principles for future cooperation aiming at supporting adoption of IFRSs in Brazil and fostering CPC engagement in the international accounting standard setting process."; Memorandum of Understanding among the International Accounting Standards Board (IASB), the Brazilian Federal Council of Accounting (CFC), and the Brazilian Accounting Pronouncements Committee, 2010

- 6.8 In deciding its size, the advisory and representative function of the ASAF has been carefully considered. Because the ASAF members will each be providing input from their region, it is essential that every member has the opportunity to provide effective and representative technical advice to the IASB. It is expected that the ability for all to have their voice heard will be reduced if the membership rises above 12. While it is true that the IASB contains 16 members, most members express their opinion by vote. In contrast, the ASAF members will not be voting on any issues and therefore the primary consideration for size has been to ensure that all regional contributions will be heard and given due attention. If too many people participate, there is a risk that the intended function of the ASAF will be lost.

On this basis, we propose the following geographical balance:

• Africa	-	1 seat
• Americas	-	3 seats
• Asia-Oceania	-	3 seats
• Europe (including non-EU)	-	3 seats
• World at large	-	2 seats

- 6.10 A Forum of this size would be large enough to accommodate those bodies with which the IASB currently has its major bilateral relationships, plus representatives from the regional bodies (such as AOSSG, GLASS and PAFA), while leaving room for other major NSS to become members.
- 6.11 It is proposed that the membership of the ASAF should be reviewed every two years. The review, as well as the initial composition, of the membership should take into account factors such as technical competence, the scale of the jurisdiction's capital market, the organisation's contribution to the IASB's standard-setting process and the scale and degree of the human capital resources available to the organisation, among others.
- 6.12 As a consultative group to the IASB, there should be the possibility for the IASB to invite a particular NSS or regional body to participate according to the IASB's specific agenda priorities at any point in time, subject to any candidate having the technical expertise and capability to play a full role in the ASAF.
- 6.13 Again it needs to be emphasised that all participants in the ASAF would be expected to sign an MOU making a commitment to a global single set of accounting standards (see paragraph 6.5). These commitments are required to ensure a constructive technical discussion among parties who support the development of IFRSs as a global set of accounting standards.

## Members

- 6.14 Membership would be on the basis of organisational representation rather than on an individual basis, but there is an issue as to how individuals representing those organisations should be chosen and by whom. For the purpose of achieving efficiency, continuity and good personal working relationships, it is proposed a single designated individual should be the member of the ASAF, which would most likely be the Chair or another senior member of the organisation, given the required level of technical expertise. That said, flexibility will be required to allow representation by another member of the organisation with specialist expertise where appropriate.
- 6.15 Where necessary, ASAF members will be permitted to bring translators to meetings in order to support their participation in the ASAF.

## Proposed model for the working of the ASAF

- 6.16 It is important that the ASAF should focus on major technical issues to meet the goals and commitments highlighted above. To ensure that the ASAF can have productive discussions on technical issues, and in sufficient depth, it will be important to think about how the meetings will be structured, and the agendas determined, to achieve that aim.
- 6.17 The ASAF could meet four times a year with the IASB in London to discuss relevant items, with one of the meetings being combined with the annual conference for WSS. Each meeting would be for 1.5 days.
- 6.18 Consideration would also need to be given as to how to make the ASAF work in a cost-effective way for participating NSS and regional bodies, as well as for the IASB and its staff, because it would have major implications in terms of time and resources to be devoted to the ASAF.
- 6.19 The intention is that the ASAF would be chaired by either the Chairman or the Vice-Chairman of the IASB. Members of the IASB would attend for the agenda items for which they act as Board advisors to the staff. Senior staff members would attend ASAF meetings and at least one staff member would be dedicated to act as the liaison with the ASAF. The meetings would be held in public and webcast. Detailed minutes would not be taken, but a summary of each meeting would be posted on the Foundation's website.
- 6.20 Agenda papers for each meeting would be prepared by IASB staff or ASAF members, in order to provide a focus for the discussions. The intention is that the papers would provide a summary of the key decisions on the project under consideration and would seek the views of ASAF meetings on key issues. In this way, the IASB believes that the discussions would focus more on strategic technical issues, and not be too tied to the IASB's monthly cycle of meetings, where the focus can be on more detailed matters.
- 6.21 At each meeting, indications of the agenda for the following meeting would be announced. The aim would then be for papers to be circulated well in advance of a meeting, in order to allow participants some time to consult with their stakeholders and to come ready with the perspectives from their jurisdictions/regions. Because the papers will focus on key projects (whether on the standards-level agenda or the research programme), the expectation is that participants would already be tracking those projects anyway, and so they should already have a good grasp of the main issues.

## Advantages

- 6.22 The IFRS Foundation and IASB would achieve a more streamlined collective relationship through dealing with a single counterparty, which will replace some of the current bilateral meetings, often covering the same topics, and save the IASB's time and resources.
- 6.23 The ASAF would allow wide debate on general issues, and provide the IASB with a valuable body of stakeholders who will help to inform and assist the IASB on specific matters put to them, before it takes decisions on such matters.
- 6.24 The ASAF will provide a greater amount of valuable discussion and enhance the quality of the final Standard. The model recognises that NSS and regional bodies have expertise in standard-setting and valuable local jurisdictional experience and knowledge that should be taken into account by the IASB in setting global financial and reporting standards. This would complement the existing outreach activities by providing further information about the effect of applying the IASB's proposals in various jurisdictions.

- 6.25 It is consistent with the 2011 Trustees' Strategy Review and with the Constitution, which requires the IASB to carry out a comprehensive programme of outreach and to take account of the views of NSS, regional bodies and all stakeholders so as to ensure that IFRSs meet the needs of investors and other market participants.
- 6.26 The model ensures that a wider body of NSS and regional bodies may support the Standards issued by the IASB, and may uphold the IASB's reasoning. This will enhance the global adoption of IFRSs and their consistent application in the NSS's jurisdiction.
- 6.27 This model does not require any change to the structure of the Foundation and its constituent bodies.
- 6.28 This model could also be complementary to IFASS, rather than replace it.
- 6.29 The model allows an effective yet multilateral discussion, with the participation of many diversified perspectives at the same table.

## **Risks**

- 6.30 The standard-setting process could become more protracted than is currently the case. In response, the proposal seeks to address this by achieving a more streamlined relationship and to replace some of the current bilateral meetings.
- 6.31 It could be difficult to come up with a composition that is satisfactory to all parties. If the ASAF is a body set up by the Foundation, or even as a representational body appointed from within the ranks of NSS and regional bodies themselves, some NSS may not feel a sense of ownership. This is an important challenge to meet and will require ASAF participants to ensure that the ASAF's activities are conducted in an open and transparent manner and reported to the wider community of NSS and regional bodies both throughout the year and as part of the WSS conference. ASAF representatives will need to ensure that they consult others within their region to ensure that they understand their perspectives.
- 6.32 The group has the potential of becoming extremely large and possibly unwieldy. That is why the intention is to limit the size of the ASAF.
- 6.33 The meetings may require additional staff and IASB resources on the part of the Foundation and other ASAF participants. Nevertheless, if the ASAF operates in an effective way, that will be a worthwhile investment in time and resources.
- 6.34 It might be difficult to maintain control of the discussions or to obtain consensus. That is why the intention is to use the ASAF as an advisory body to exchange views and share experience on particular major technical issues, with the aim of obtaining a clear understanding of what diversity exists and the reasons for it.

## 7 Conclusions and recommendations

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- 7.1 The conclusion of this paper is that the IASB's collective relationship with NSS and regional bodies needs to be put onto a more formal and streamlined basis, in a way that enhances, rather than cuts across, the important role that NSS and regional bodies play as outlined in paragraph 3.5 above. Having considered a range of possibilities as to how the relationship should be formalised, this paper recommends that the Foundation should proceed with the proposal to establish a forum, as outlined in section 6 above. It is acknowledged that there are many challenges in implementing this proposal, primarily the challenge of determining the composition of the ASAF. The other important challenge is to establish a working mechanism that will allow a productive technical discussion that will contribute the standard-setting process.
- 7.2 Another important consideration to be discussed is any potential impact, following this development, on existing Foundation bodies, such as the Advisory Council.
- 7.3 As noted, it is also the case that the proposal will need to be considered within the context of the IASB's developing relationships with a wider network of stakeholders, in particular users of financial reports.
- 7.4 The proposal does have some disadvantages, as noted above. However, in a complex environment, no ideal solution exists, and the Foundation's view is that if these challenges are well addressed we can bring an important improvement to the standard-setting process in line with the vision of the Trustees.

## Appendix

### Current Relationships with NSS and Regional Bodies

*Formal bilateral arrangements (MoUs exist between the IASB and the body)*

Body	MoU	Meetings
ASBJ	August 2007, known as the Tokyo Agreement, to improve IFRSs and Japanese generally accepted accounting principles (GAAP) and to bring about their convergence.	Meetings between the IASB and ASBJ are held twice a year.
Brazilian Federal Council of Accounting (CFC) and Brazilian Accounting Pronouncements Committee (CPC)	January 2010, to set end-2010 as the target date for full convergence with IFRSs and establish a framework for future co-operation between the organisations.	No set timetable, but MoU commits the IASB and CPC to establish a "formal and continued dialogue".
FASB	September 2002, known as the Norwalk Agreement, to commit the IASB and FASB to pledge their best efforts to work together to remove the differences between international standards and US GAAP. a further MoU ("A Roadmap for Convergence between IFRSs and US GAAP") was signed in February 2006.	Joint projects as highlighted in the IASB Work Plan. Joint monthly meetings of the IASB and FASB held.

*Sample of informal bilateral arrangements*

Body	Example of relationship with IASB
AOSSG (25 jurisdictions)	IASB members and staff have observer status at AOSSG meetings, including the Annual Meeting. AOSSG objectives include: <ul style="list-style-type: none"> <li>• promoting the adoption of, convergence with, IFRSs by jurisdiction in the region;</li> <li>• promoting consistent application of IFRSs by jurisdiction in the region; and</li> <li>• co-ordinating input from the region to the technical activities of the IASB.</li> </ul>
EFRAG (30 EEA member states)	IASB members and/or staff participate in monthly meetings of EFRAG's Technical Experts Group (TEG) and in outreach/public events organised by EFRAG. IASB meets with EFRAG and representatives of the 4 major European NSS (from France, Germany, Italy and the UK) 3-4 times a year. EFRAG has observer status on all current IASB Working Groups.
GLASS (12 jurisdictions)	IASB member Amaro Gomes participated in the 3 meetings of the GLASS Directors held in the year June 2011-2012.
IFASS (representatives from around 25 jurisdictions/ regions)	IASB members and staff participate in IFASS meetings, which are currently held twice a year.

In addition, a number of NSS and EFRAG also have membership on the IFRS Advisory Council. A number are also members of the IASB's Emerging Economies Group, which comprises the emerging economies member countries of the G20 as well as Malaysia.