



Mr. Paul Cherry
Chairman
IASB - SAC
30 Cannon Street
London EC4M 6XH
United Kingdom

6 November 2009

Ref.: FRP/HvD/SS/ID

Dear Mr. Cherry,

Re: Priorities for the IASB work plan post June 2011

- (1) FEE (the Federation of European Accountants) welcomes the opportunity to comment and provide its observations on the SAC agenda paper 1 on the priorities for the IASB work plan post June 2011.
- (2) FEE has a long-held view that the IASB's agenda consultation process can be improved. We discussed this issue already earlier with Mr Gerrit Zalm and some of his Trustees, together with representatives of other European financial reporting stakeholder organisations in a meeting on 22 July.
- (3) We believe that a regular wider public consultation on the IASB work plan is warranted in addition to a discussion of the IASB's agenda priorities with the SAC. In the absence of a formal public consultation process, however, we are pleased to provide you with our views on the agenda priorities post-2011, as input for the SAC discussions in November.
- (4) The discussion focuses on a significant point in time for the IASB, post-June 2011, when the term of the Memorandum of Understanding between the IASB and the FASB is completed, the IASB chairmanship changes and a number of other founder Board members of the IASB are due to be replaced. All these events will have their impact on the work plan and it is appropriate for the organisation to consider the contents of its work plan as well as the agenda setting process at this juncture.

- (5) FEE believes that countries and markets are best served by high quality financial information and that this is best delivered by a single independent global standard setter for accounting and corporate reporting.

Convergence

- (6) As set out in our policy statement of July this year, on *the Future Approach to Setting Global Financial Reporting Standards*, we believe that the IASB's convergence strategy has delivered good results since the IASB was created in 2000 and was appropriate during that period. Many countries have now either adopted IFRS in full or have substantially reduced the differences between IFRS and their national standards. The convergence project has been instrumental in eliminating the reconciliation requirement between IFRS and US GAAP and in advancing the objective of IFRS adoption in the US.
- (7) As noted in our statement, FEE believes, however, that we are now in a period of diminished returns from further and continued convergence due to the rapid increase in complexity of the economic environment, with little additional benefit to investors arising from efforts to eliminate increasingly smaller differences between IFRS and other standards. Accordingly we believe that convergence should no longer be an agenda selection criterion post-2011, as the emphasis needs to shift to developing one single set of high quality, principles-based, global standards.
- (8) In our view, post-2011 the Board should concentrate exclusively on major improvements and simplifications in IFRS over the medium term. To this end, it should work together with standard setting bodies and other relevant institutions from around the world, including the FASB and EFRAG, so that all stakeholders can be fully engaged and ensure that the quality of IFRS is not compromised. The number of active projects should be reduced significantly and attention should be focused on those projects that really set the scene for the development of future standards. Therefore we believe as stated above that convergence should no longer be a major drive in the agenda setting process.

Criteria

- (9) Paragraph 8 of the SAC agenda paper lists the criteria for setting the agenda. We feel that post June 2011 these criteria need to be reconsidered for their appropriateness in the changed circumstances. We have already indicated in the paragraphs above that we believe that the convergence objective is no longer relevant and should not serve as a criterion for setting the IASB agenda.

- (10) We suggest that instead the following criteria should be used in the future agenda setting process:
- There is objective evidence that the existing standards are creating significant problems for stakeholders, notably for users and preparers, or that a significant gap exists in current IFRS;
 - There is a contribution to simplification, reduction in complexity or cost reduction, without loss of relevance of the outcomes to the users;
 - There are sufficient resources and capacity at market participants and at the IASB and a practical timeline to fully engage with all stakeholders; and
 - The implementation costs will not be disproportionate to the benefits expected to be obtained.

Strategic Direction

- (11) Paragraph 11 of the SAC agenda paper lists four possible strategic directions. As already indicated above we believe that the IASB should be focused on those projects that really set the scene for the development of future standards. Therefore we support direction (a), a focus on few or several large projects. We believe this direction should be combined with direction (d) pause and focus on post-implementation reviews.
- (12) We think that (b), undertaking “repairs and maintenance” on existing standards is not a strategic direction. This is part of the annual improvements project. The focus on high quality standards and reducing complexity should result in a significant reduction in the changes that are needed. We are of the opinion that the “repairs and maintenance” changes should be limited to rare cases. In addition we believe that also (c), replacing IAS by IFRS does not constitute a strategic direction.

New projects

- (13) We have applied our criteria as listed in paragraph 8 of this letter to the projects proposed in paragraph 14 of the SAC agenda paper and to the research projects listed in the IASB current work programme. We come to the conclusion that most of the projects listed do not meet these criteria and should in our view therefore not be undertaken.
- (14) We have assumed that the projects listed in the current work programme, including the important project on Insurance Contracts will be completed in time in 2011 and therefore do not comment on those.

- (15) Applying our criteria, we suggest to include the following projects in the post June 2011 work plan:
- Acceleration of the Conceptual Framework;
 - Common Control;
 - Disclosure Framework; and
 - Post-implementation studies, notably on IFRS 3.
- (16) The Conceptual Framework project should particularly cover the purpose of the balance sheet and the purpose of performance reporting as well as the business model. The project should also deal with the convergence of existing standards to the Framework.
- (17) Issues and industries that are currently scoped out of the standards should be addressed as a priority. This applies notably to insurance contracts and common control. We would also support the completion of a standard on extractive industries.
- (18) We believe it is important to undertake a project on the Disclosure Framework since there is a need to reduce complexity in the disclosure requirements and to develop a holistic view on materiality.
- (19) Post-implementation studies on a selection of standards could reveal further areas in which standards need to be amended or approved. In particular we support a post-implementation study on IFRS 3.

For further information on this letter, please contact me or Ms. Saskia Slomp, Technical Director.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hans van Damme', is written over a horizontal line. The signature is stylized and includes a large circular flourish.

Hans van Damme
President