

Mr. Michel Prada,
Chairman
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

14 December 2012

Dear Mr Prada,

Re: Proposal to Establish an Accounting Standards Advisory Forum

The Accounting Standards Committee ("DASC") set up by "FSR – danske revisorer" is pleased to comment on the Invitation to Comment, *Proposal to Establish an Accounting Standards Advisory Forum (ASAF)*. The Committee discussed the Invitation to Comment during its meeting this week. In addition, we participated in the EFRAG CFSS discussions about the proposal 11 December 2012 in Brussels.

We welcome the initiative to involve the National Standard Setters (NSS) and the Regional Groups involved with accounting standard setting (REGRO) more in the early stages of the development of the accounting standards. We welcome this initiative to be a forum to discuss in depth the technical issues with input from many different jurisdictions and legal backgrounds. We also support the Forum to involve representatives of all regions in the world and not only one (FASB from the US). In addition, we support that it means an end to convergence and to replace it with high quality financial reporting standards as the primary and only goal.

As a European standard setter and hence part of the largest jurisdiction applying IFRS we believe that the European relative weight proposed as 25% of the members of the Forum seems balanced and satisfactory.

We will stress that it is important to us that Europe is represented by EFRAG and not by any one of the big countries or a group of big countries. EFRAG has proven to be transparent and to have robust consultation procedures that will ensure that also NSS from smaller countries with limited resources in the NSS will be heard prior to the ASAF meetings.

We believe it is important that significant and respected standard setters in very large countries such as the US FASB and the Japanese ASBJ should be invited even though they have not (yet) fully signed up to domestic use of IFRS.

We support that the participants in the ASAF are asked to sign up to specific commitments, but we are not convinced that the proposed commitments are exactly right, please see our comments to the specific questions.

We believe it might be advantageous to develop a specific objective for the ASAF, and we have offered a proposed wording in the appendix.

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We would be happy to elaborate further on our comments should you wish so.

Kind regards

Jan Peter Larsen
Chairman of the Danish
Accounting Standards Committee

Ole Steen Jørgensen
Chief consultant
FSR – danske revisorer

Appendix

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?

We support in principle to have the participants to sign up to commitments in order to participate, however, we are not convinced that the proposed commitments are exactly to the point.

We are concerned about the proposed 6.4.3 because we do not expect the expected members to have big influence on the consistent application in their jurisdiction(s) and, therefore, we would propose to delete it or alternatively to change it to "encourage" as in 6.4.2.

We have concerns about 6.4.4 because multilateral technical discussions are to be supported and encouraged, so that it will create the conditions in which all participants strive to understand the needs of the various regions and take them into account in formulating positions and recommendations, so that final accounting requirements are well suited for all jurisdictions.

No participant with some responsibility in an endorsement process can commit to promote endorsement if the final standard is assessed not to meet the endorsement criteria of that jurisdiction being it Europe or Japan or may be even at some point the US.

As a drafting point we would recommend in 6.4.2 to delete the words after the first comma as they are only a repetition of the same words in 6.4.1.

We support in principle a MoU to ensure the commitment.

We would also like to stress that it is imperative that the ASAF is an advisory body and it should not develop into some sort of global board above the IASB.

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?

Side 4

We agree with the principle outlined in 6.7 namely that a balance needs to be struck between the need to 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.

As a European standard setter we believe that the European relative weight proposed as 25% of the members of the Forum seems balanced and satisfactory.

We believe that the proposal has struck a very good compromise and we support the number of members to be 12 as we would have difficulties in seeing a group of say 20 members plus IASB members plus all the participants' technical advisors and the IASB staff. It would mean a group that will not be effective. In addition, we would find it almost impossible to see how to allocate the seats in Europe if there were 5 seats to allocate. We believe that the Advisory Council has always been far too large and not very effective.

We will stress that it is important to us that Europe is represented by EFRAG and not by any one of the big countries or a group of big countries. EFRAG has proven to be transparent and to have robust consultation procedures that will ensure that also NSS from smaller countries with limited resources will be heard prior to the ASAF meetings. We participate - and have always done so - in EFRAG's quarterly meetings (known as CFSS meetings) with the European NSS. From our discussions at the CFSS with representatives of other NSS from countries also facing limited resources we know that EFRAG is the primary tool to convey messages to the IASB and there is a strong support to the work of EFRAG and, therefore, we strongly support that EFRAG should represent Europe and we trust that there will be the normal open consultation process prior to the ASAF meetings and we trust that EFRAG will ensure to also have close liaison and participation from the important players in Europe. In that respect, it might be mentioned that the biggest countries in Europe already have significant representation in the various EFRAG committees.

We also believe that it is important that the appointed organisations are important and accepted players in their region and they should be transparent

organisations with open meetings and due processes for the work also in relation to the work in ASAF.

Side 5

We believe it is important that significant and respected standard setters in very large countries such as the US FASB and the Japanese ASBJ should be invited even though they have not (yet) fully signed up to domestic use of IFRS. Both organisations are real standard settings bodies, respected internationally and have transparency in their consultation work. However, we would expect that a majority of the appointed members would represent jurisdictions using or committed to using IFRS in their domestic market.

Other Comments

We support that the chair of ASAF is the chair of IASB, but we could also live with ASAF having an independent chairman.

We believe that the participants should all be involved in setting the agenda and prepare the agenda papers, but we find it important that the agenda and the papers are known well in advance of the meeting to allow for ample time to consult.

We wonder whether it might be advantageous to develop a specific objective for the ASAF, and we will propose a definition in the direction of "An advisory forum to have technical discussions early in and during the IASB standard setting process in order to improve the quality of the final standards and in order to get global input and understanding of global issues in Discussion Papers and Exposure Drafts, also in order to avoid misunderstandings and misunderstood opposition against IASB proposal and standards".

We are concerned about the wording in paragraph 6.34 mentioning 'maintaining control' and 'obtaining consensus.' We think these run counter to the stated purpose of the Forum and the content of the remainder of paragraph 6.34 which emphasise exchanging views, sharing experience and obtaining a clear understanding of what diversity exists and the reasons for it. We see the Forum as a means to engage in thorough technical debate to help the IASB develop high-quality financial reporting standards.