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Individual Commentary
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Sir EFRAG Supervisory Board Chairman

European Financial Reporting - EFRAG

Subject: Draft Status of Trustees' Strategy Review

Sir. Mr. Pedro Solbes and Ms. Saskia Slomp

04 January 2011

I'm Denise Juvenal this is my individual commentary and is pleased to have the opportunity to comment this proposal of Draft Status of Trustees' Strategy Review for European Financial Reporting – EFRAG.

I agree the points in relation the point number 1 I think that the IASB should be to continue to provide high quality global accounting standards required by the world's capital markets, but I observed that point number 2 is very complexity because I don't know if the powers of regulators are defficient, I think that the regulators don't have general culture and knowledge of the problems of the countries of your responsibility.

The point number 3 I think that objective of the Conceptual Framework and Constitution are different, firstly "The objective of financial reporting is the foundation of the conceptual framework. The qualitative characteristics are the qualities that financial information must have to meet the objective of financial reporting"¹ and secondly "This Constitution was approved in its original form by the Board of the former International Accounting Standards Committee (IASC) in March 2000 and by the members of IASC at a meeting in Edinburgh on 24 May 2000"². I don't know if its possible aligned the definitions with addressing stewardship as well as economic decision-making.

The point number 4 is very important observation but I understand the ponts 5 and 6 depends of others fundamentals aspects that can be influenced of implementation of IFRS around the world, for example the impact the

¹<http://www.ifrs.org/NR/rdonlyres/6A6ABF86-D554-4A77-9A4A-E415E09726B6/0/CFFeedbackStmt.pdf>

²<http://www.ifrs.org/NR/rdonlyres/81727787-207F-446D-B83B-FA0DFDB7223E/0/IFRSFoundationConstforweb2010.pdf>

agenda of the IASB and FASB. I don't think that the IASB and FASB MoU on convergence has caused impact on the quality of the resulting standards as none of the jurisdictions or regions that are applying IFRS or are in the process of adopting IFRS.

In relation the numbers 7 – 11, I think that this point is relation with point number 2 in this case is occurred others problems and circumstances that can be influenced for the period. The IASB make concentration for regions for guarantees of the execution, implementation and security of standards in relation the responsibility of the jurisdictions or rules of the others countries, that can be occur internal problems can be impact in the applied of standards for don't have knowledge.

The points 12 - 15 I agree, but I think that the most importance the work programme and IASB agenda is responsibility and observation of the independency, I believe that agenda will be restricted for changes of standards. I agree the point 15 principally because the new projects will have others characteristics than today, the principal points already have been discussed.

The numbers 16 - 22 I agree and I observed this position for specific projects that don't changed during development standards. In this case is very important to make relation of the experience of the Stakeholders, the point 21 in relation a publication can be occurred principally because isn't final project, but if don't have initially project I think don't problems in these features.

The numbers 23 – 27, I agreed with these points but the impact in the economic in other region can be highly. In relation of the numbers 28 – 337 is necessary to have study for the impact of every country in applied of IFRS. The number specifically 31 I think that in not moment for EFRAG together with National Standards Setters in Europe representing one of the regions is ready to contribute actively to the field testing, I understand that EFRAG can help for the impacts of the implementation IFRS for IASB, for that standards have transparency, clearly and objectivity.

I included my proposal of the IASB – IFRS Foundation on 01/16/2011.

The Trustees request comment on the questions on the four areas listed below:

Mission: How should the organisation best define the public interest to which it is committed?

The IASB for the new decade for continue success is necessary to observed the impact and to know how will be apply, what are problems and difficulties of countries for standards-setting. I observed that public interest for all regulators not only IASB and IFRS Foundation, this is not objective of yours.

1. The current Constitution states, “These standards [IFRSs] should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world’s capital markets and other users of financial information make economic decisions.” Should this objective be subject to revision?

I think that the objective of the current Constitution is not necessary to make revision in this moment, but in the future, after analysis, consolidation and evaluation of the difficulties can be is necessary to included others feature, for example with relation clarification that is discussion in the proposal to amend the Due Process Handbook for the IASB.

2. The financial crisis has raised questions among policymakers and other stakeholders regarding the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements. To what extent can and should the two perspectives be reconciled?

I think that questions among policymakers and other stakeholders in relation about perspectives are different, reconciled these opinions is difficult because “policymakers has a broader scope and may include legislative authorities”³ and stakeholders have responsibility for understanding and execution of the implementation standard-setting of the IASB, not necessarily can be policymakers. The objective for IASB is not defined public interested about financial information, in this case, each country has jurisdiction,

³<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD315.pdf>

regulations and laws that are specific of them, financial crisis is aspect that influence every decision about standard-setting and others subjects if IASB and IFRS Foundation initially process in this relation specific, can be have problems with relation in your independence.

Governance: how should the organisation best balance independence with accountability?

The IASB to have high-quality globally accepted, this is your mark and your difference in relation others organisations. The IASB and IFRS Foundation participated for the principal change for history of account and finance (economy). The results of integration and application of these areas will be a better relationship in the organization private-sector of finances and accountability. In this moment the IASB need narrow Partnerships as some importants regulators of the world capital markets, accountability, finances and principally auditing, in this case they are principal stakeholders, not only entities, individuals persons and organizations.

3. The current governance of the IFRS Foundation is organised into three major tiers: the Monitoring Board, IFRS Foundation Trustees, and the IASB (and IFRS Foundation Secretariat). Does this three-tier structure remain appropriate?

Yes, The three-tier structure remain appropriate because each one have a specific function, and the objective fundamental is to assist for the Chair, because IASB have activities that is need to have members trained, knowledge, and principally culture, if some member don't have culture in the region of responsibility is necessary to go a specific country for to have knowledge, I think this. The Monitoring Board, The IFRS Foundation Trustees and The IASB are defined as described in the follow.

The Constitution Review defined⁴:

⁴<http://www.ifrs.org/NR/rdonlyres/81727787-207F-446D-B83B-FA0DFDB7223E/0/IFRSFoundationConstforweb2010.pdf>

- *“Monitoring Board is responsibility will provide a formal link between the Trustees and public authorities. This relationship seeks to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters.*
- *IFRS Foundation have as objectives as described on follow:*
- *(a) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world’s capital markets and other users of financial information make economic decisions. (b) to promote the use and rigorous application of those standards. (c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings. (d) to promote and facilitate adoption of International Financial Reporting Standards (IFRSs), being the standards and interpretations issued by the IASB, through the convergence of national accounting standards and IFRSs.*
- *IASB shall comprise fourteen members, increasing to sixteen members at a date no later than 1 July 2012. ... The work of the IASB shall not be invalidated by its failure at any time to have a full complement of members, although the Trustees shall use their best endeavours to achieve a full complement.*

4. Some stakeholders have raised concerns about the lack of formal political endorsement of the Monitoring Board arrangement and about continued insufficient public accountability associated with a private-sector Trustee body being the primary governance body. Are further steps required to bolster the legitimacy of the governance

arrangements (including in the areas of representation of and linkages to public authorities?)

I think that IFRS Foundation is need to delimited your function, every stakeholders want to be member of IASB, this is the best, representing your region or country, but I observe that is necessary to make emphasize the political of the Monitoring Board and your independence. I understand that best balance independence with accountability is not only required to bolster the legitimacy of the governance arrangement, the IFRS Foundation and IASB is regulator of standards-setter and not be consulting private-sector for entities and organization around the world about standard-setters, this is not objective and function of yours.

Process: how should the organisation best ensure that its standards are high quality, meet the requirements of a well functioning capital market and are implemented consistently across the world?

I agree with this question, but is necessary to observe the experience applied and the impact of these standards in others regulators in Europe and United States considering the functions of the Monitoring Board of IFRS Foundation, number 21 of the Constitution Review, for example discussion of the proposals about:

- Audit Services in the International Federation on Accountants – IFAC;
- Transparency of Audit Firms auditing public interest entities in the International Organization of Securities Commissions (IOSCO)⁵
- Valuation in the Monitoring Group International Organization of Securities Commissions (IOSCO);
- Climate Change the World Economic Forum;
- Green Paper on Auditing in the European Commission;
- Financial Crisis in the World Bank;
- Aspects related for small entities and public sector what's direction and

⁵<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD339.pdf>

- Quality of understanding in the universities in relation of the education.

5. Is the standard-setting process currently in place structured in such a way to ensure the quality of the standards and appropriate priorities for the IASB work programme?

Yes, the standard-setting process currently in place structured in such a way to ensure the quality of the standards and appropriate priorities for the IASB work programme, but is the fundamental in this moment to observed and followed the difficulties of the countries in your implementation, this question have relation with number 4.

6. Will the IASB need to pay greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis?

Yes, the IASB need greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis, this question is relationship as number 5.

Financing: how should the organisation best ensure forms of financing that permit it to operate effectively and efficiently?

The effectively and efficiently is relationship in decision the questions numbers 3 and 4 with respect governance of the IASB. I understand that the best ensure forms of financing that permit it to operate depends if the members have good relationship in your area, because is need to be more presented in this moment, principally after discussion the proposal Effective Dates. I observed that is need to finish this discussion for finally this question.

I suggest that IASB and IFRS Foundation have some a behavioral assessment for the every country have responsibility with used information, similar Code of honor, that moral commitment of the authorities members in relation IASB and IFRS Foundation for provide high-quality of ethical behavior,

for transparency with used standard-setters for this is necessary to have who are the regulator responsible for area.

7. Is there a way, possibly as part of a governance reform, to ensure more automaticity of financing?

I think that part governance reform independent for ensure more automaticity of financing, if the IASB and IFRS Foundation have responsibility of each country, cause impact direct in your results and more capital the IASB to have for financing your projects, if don't be propose of IASB is necessarily change what the principal importance and objective for to have international standard-setters, I think this, I don't know if is adequate.

Other issues

8. Are there any other issues that the Trustees should consider?

I recommend that IASB and IFRS Foundation consulting others regulators about political procedures around the world, the experience can be very important for transparency, high-quality and new suggestions of change for international standard-setters in this second decade.

Thank you for opportunity for comments this proposals, if you have questions don't hesitate contact to me, rio1042370@terra.com.br.

Yours Sincerely,

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