

December 17, 2012

Ms. Yael Almog
Executive Director
The IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Invitation to Comment “Proposal to Establish an Accounting Standards Advisory Forum”

Dear Yael,

The Accounting Standards Board of Japan (ASBJ) appreciates the opportunity to comment on the Invitation to Comment “*Proposal to Establish an Accounting Standards Advisory Forum*” (hereafter, “ITC”). The ASBJ supports the establishment of the Accounting Standards Advisory Forum (ASAF), as it believes that the creation of the forum will foster the effective and efficient functioning of the IASB’s deliberation process by formalising the relationship among the IASB and national standards setters (NSSs) and regional bodies.

Over recent years, the ASBJ has proactively participated in the global debate on the development of a single set of global high quality standards through a variety of means. For example, the ASBJ has had biannual bilateral meetings with the IASB, and has participated in regional and international forums (such as, IFASS, AOSSG, WSS meetings) in a proactive manner.

Further, since the fiscal year beginning April 2009, application of IFRSs has been permitted for the preparation of consolidated financial statements for selected Japanese companies. The number of companies that opt to use IFRSs (as designated) has steadily increased since then, and we anticipate that the number of companies will continue to grow. In enforcing the voluntary application of IFRSs, the legislation empowers the Financial Services Agency to examine and designate each IFRS, and currently all IFRSs are designated without modification. You may also be aware that during the process of making a submission to the IASB for its *Agenda Consultation*

2011, the ASBJ had an intensive discussion with Japanese stakeholders, and submitted its comment letter which recommends that the IASB reconsider several requirements of individual IFRSs for the betterment of existing IFRSs.

For our responses to specific questions in the ITC, please see the following.

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?

In our view, the wording of the proposed commitments in paragraph 6.4 of the ITC should be amended to promote the better functioning of the ASAF. As rightfully pointed out in the parenthesis of the paragraph 6.4 (4), jurisdictions are at different stages in moving towards IFRSs. Therefore, using words that might imply some restriction on the liberty of participating members when exercising their discretion on the basis of their mandate in the national (or regional) settings, would be inappropriate. Specifically, we suggest modifying the paragraph 6.4 (4) to instead state "*making the best effort to promote endorsement/adoption of IFRSs, which would have been improved through advices and other activities being conducted by the ASAF over time (recognising that, at present, jurisdictions are at different stages in moving towards IFRSs and have adopted different mechanisms to achieve this).*"

As mentioned in our general comment, we submitted our comment letter to the IASB's *Agenda Consultation 2011* for the betterment of IFRSs. We expect that the initiatives of the ASAF will be instrumental in the improvements of IFRSs, thereby contributing to the greater acceptance of IFRSs in each jurisdiction. Thus, we would like to provide our proactive contribution to the ASAF's activities for promoting its effective functioning.

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?

We believe that the ASAF should be a venue where the effective interaction between ASAF members and IASB members takes place, rather than the place where the IASB merely receives inputs from ASAF members. In light of such envisaged function, we

agree with the proposed number of members (twelve) as suggested in paragraph 6.7 of the ITC, taking into account that some IASB members and its staff (in addition to the IASB Chair and Vice-chair) will participate in the discussion.

We also support the factors set out in paragraph 6.11 of the ITC that are used in selecting and reviewing the membership of the ASAF (e.g., technical competence, the scale of the jurisdiction's capital market, the organisation's contribution to the IASB's standard-setting process and the degree of human capital resources available to the organisation), as they are critical in fulfilling the mission of the ASAF. We feel that giving transparency to the factors to be considered in the member selection process will help the IFRS Foundation and the IASB in discharging their responsibility to be accountable for selection of the membership in an objective and fair manner.

Other Comments

Paragraph 6.20 of the ITC suggests that agenda papers for each meeting be prepared by IASB staff or ASAF members. We welcome this proposal, as preparation of agenda papers by ASAF members will promote effective debate by enabling ASAF members to communicate their issues or views in a more precise manner.

In addition, paragraph 6.21 of the ITC outlines the process of how ASAF members can provide quality inputs to the IASB. Although such a process is important, it is equally important to clarify how the IASB provides feedback to ASAF members about how their views are considered in its standard setting process, having regard to the equal relationship between them. Providing such feedback would be critical, when an important input at the forum has not been reflected in the IASB's standard setting process.

We look forward to continuing to provide contributions to IASB's standards setting activities.

Yours sincerely,



Ikuo Nishikawa
Chairman of the Accounting Standards Board of Japan