

4 December 2015

Trustees of the IFRS Foundation
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Trustees

Request for Views
IFRS Trustees' Review of Structure and Effectiveness: Issues for the Review

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to respond to the IFRS Trustees' Request for Views.

The AOSSG currently has 26 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan, and Vietnam.

To the extent feasible, this submission to the Trustees reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input from the Asian-Oceanian region to the Trustees and not to prevent the Trustees from receiving the variety of views that individual member standard-setters may hold. This submission has been circulated to all AOSSG members for their feedback after having initially been developed through the AOSSG Chair's Advisory Committee.

The AOSSG has been observing the new and ongoing wider corporate reporting initiatives that are closely related to financial reporting and are undertaken by other international bodies. The majority of the AOSSG considers that the Foundation or the IASB may miss the opportunity to remain relevant if it continues to 'watch and see' how those initiatives progress instead of being an active participant. Accordingly, to maintain relevance, the Trustees should consider the IASB's involvement in the wider corporate reporting initiatives such as the development of valuation standards and integrated reporting; the possibility of applying IFRS as it is currently written to the not-for-profit sector in the long term; and the way technology might impact the work of the IASB and the future of financial reporting.

The AOSSG supports the view that consistent application/implementation is no less important than the development of high quality financial reporting standards. The AOSSG therefore

strongly supports the Foundation's effort in pursuing this aspect in a number of ways and is happy to share some suggestions on how to improve the consistent application/implementation of IFRS.

The AOSSG also supports the independent standard-setting process and the extensive due process requirements adopted by the Foundation. However, the AOSSG has some suggested improvements to the governance of the Foundation, particularly in relation to the size, geographical composition, expertise and voting quorum of the IASB. The AOSSG also offers some suggestions on how to strengthen the Foundation's funding model.

The views of the AOSSG are explained in more detail in the Appendix. If you have any questions regarding any matters in this submission, please contact either one of us.

Yours sincerely,

 A handwritten signature in black ink, appearing to read 'Jee In Jang', written in a cursive style.

Jee In Jang
AOSSG Chair

 A handwritten signature in black ink, appearing to read 'Clement Chan', written in a cursive style.

Clement Chan
AOSSG Immediate Past Chair

APPENDIX

Detailed comments on Request for Views *IFRS Trustees' Review of Structure and Effectiveness: Issues for the Review*

Issue for review: Relevance of IFRS

Accounting standards for the not-for-profit sector

1. The Trustees have requested views on whether the scope of the IASB's mandate should be expanded to encompass not-for-profit bodies.
2. Some AOSSG member standard-setters consider that IFRS is appropriate for the not-for-profit sector on the basis that the standards are principle-based and should therefore be transaction- and sector-neutral. These members currently require IFRS as a reporting basis for all profit and not-for-profit entities.
3. A larger number of AOSSG member standard-setters do not have the mandate to develop standards for the not-for-profit sector and are currently not in a position to comment on this issue. Nevertheless, it should be noted that not-for-profit entities in some of these member jurisdictions are not prohibited from applying IFRS.
4. On balance, most AOSSG members think that there is merit in considering whether the Standards as currently written could, for the most part, be applied by the not-for-profit sector. That being said, these members acknowledge the resource constraints of the IASB and the IFRS Foundation and therefore consider that, in terms of the IASB's more immediate agenda considerations, this should not be the IASB's short-to-medium term priority. To this end, the IASB could perform a small-scale initial assessment of whether IFRS could be applied in its present condition in the not-for-profit environment or whether it is feasible to amend the standards to cater for the not-for-profit environment.

Accounting standards for the public sector

5. The AOSSG considers that the International Public Sector Accounting Standards Board (IPSASB) is the appropriate body to develop public sector accounting standards globally. Nevertheless, the AOSSG considers that the IASB should work closely with the IPSASB particularly on common issues/projects, for example, the accounting for carbon emissions/pollutant pricing mechanism, service concession arrangements and government grants.

Wider corporate reporting

6. The majority of the AOSSG strongly supports the IASB in actively participating in the wider scope of corporate reporting. In terms of order of importance, these members consider that

the IASB should first prioritise its participation in the work of the International Valuation Standards Council (given the significant relationship with IFRS requirements).

7. It is unclear what is intended by the Trustees' view in paragraph 28 of the Request for Views, which states that "... the Trustees continue to view the organisation's existing forms of co-operation as a more appropriate approach...". If the aim is to maintain the relevance of IFRS, the majority of the AOSSG considers that the IASB should not simply be 'co-operating' or adopting a 'wait and see' approach on how these initiatives progress. The majority of the AOSSG encourages the IASB to participate more actively, for example, by adding to its agenda a project that considers how financial reporting would fit into the Integrated Reporting framework, or how the integrated reporting concepts can supplement areas such as intangible assets where current accounting has significant information deficiencies and target disclosures perhaps as an interim solution. These AOSSG members also support the IASB's initiative in considering 'alternative performance measures' as part of its Disclosure Initiative project.
8. As mentioned in paragraph 4, the AOSSG is conscious of the resource constraints but in this case, considers it important for the IASB to be in the forefront of other international initiatives. Our members think that merely being members of other boards without active staff monitoring and input is not enough.

The relevance of IFRS in the face of wider developments in technology

9. The AOSSG notes the growing role that technology plays in financial reporting. It is therefore critical that standard-setters be prepared for how technology might change the financial reporting landscape and the way technology might impact standard-setting. Accordingly, the AOSSG supports the Foundation's plans to undertake small-scale research about how technology is changing and how financial information is shared and accessed more generally.
10. The Trustees should be aware that despite the growing role of technology, many member jurisdictions in the AOSSG do not necessarily have adequate infrastructure to access information electronically and should, therefore, be sensible in its recommendation for how IFRS may be used or accessed in the near-future.
11. One AOSSG member is of the view that the development of IFRS taxonomy should not be part of the IASB's standard-setting process. This member is particularly concerned that the prescriptive nature of IFRS Taxonomy would not align well with the principle-based IFRS, and strongly agrees with the Trustees that IFRS Taxonomy considerations should not drive the IASB's standard-setting activities.

Issue for review: Consistent application of IFRS

12. The AOSSG believes that consistent application/implementation is no less important than the development of high quality financial reporting standards. Accordingly, we strongly support the Foundation's effort in pursuing this aspect in a number of ways.

Clear, understandable and enforceable Standards

13. The AOSSG notes that IFRS is fast being adopted by jurisdictions all around the world. For that reason, it is important that the language used in the Standards and the way Standards are written is simple and easy to understand. This would help minimise the risk of misinterpreting the Standards. The Foundation should also keep in mind the need for some jurisdictions to translate the Standards to another language.
14. It is also important that the IASB identifies underlying issues appropriately and address them comprehensively, not just consider the issues at the surface on an ad hoc basis (e.g. the equity accounting project). The IASB should consider working with national standard setters in providing clear and understandable, for example, interpretation of the standards if necessary.
15. Some AOSSG members think that the explanations in the Basis for Conclusions of Standards are necessary to understand and implement the principles in the Standards. However, the Basis for Conclusions might not be adopted as an accompanying document to the Standards at the jurisdiction level as a result of intellectual property restrictions. The IFRS Foundation should consider addressing these restrictions that naturally constrain the accessibility of an important source of non-mandatory guidance.

The use of various 'terms of likelihood' in the Standards

16. The AOSSG also notes that the IASB tends to use certain 'terms of likelihood' in the Standards but those terms may not be consistently applied in practice. The IASB could provide some broad guidance on how these terms should be applied in practice.

Are the Standards principle-based?

17. Some AOSSG members think that IFRSs may not be sufficiently principle-based to facilitate effortless application of the Standards to diverse transactions or circumstances. The IASB should consider writing its Standards at a more principle-based level and supporting those principles by adding well-balanced detailed application guidance and fact patterns that consider simple and complex transactions. The application guidance should be relevant to a wide range of industries without causing any interpretation by analogy.
18. Some AOSSG members consider that the IASB should establish factors that clearly distinguish mandatory guidance from non-mandatory guidance within IFRS, which are not obvious from some Standards that were issued in recent years. The IASB should also ensure the appropriate use of non-mandatory guidance within IFRS. For example, implementation guidance should not be written in a way that could be construed as additional principles or

interpretative of how judgement should be applied. Furthermore, the extensive implementation guidance in some Standards not only brings into question the robustness of the mandatory guidance, but also runs the risk of unintentionally embedding the underlying principles or incorporating inconsistent concepts within the non-mandatory guidance.

Supporting newly issued Standards

19. Some AOSSG members appreciate the IASB's effort in amending newly issued Standards to provide clarity for implementation and application of the Standards.
20. Nonetheless, some AOSSG members have observed the negative impact of issuing narrow-scope amendments to newly issued Standards. These members have found that this sends a negative message about the IASB's standard-setting process and de-motivates preparers from their jurisdictions from implementing the Standards early.
21. These members are aware that the IASB's due process already includes a formal consultation period and, for more complex projects, further consultation with targeted preparers, practitioners, financial statement users and standard-setters prior to issuing Standards. These members are also aware that the issuance of Standards is subject to the Due Process Oversight Committee's requirements. On the other hand, these members consider that providing more time for further consultation may lead to premeditated delay in the issuance of Standards. Still, a few members suggest that the IASB could consider conducting further extended consultation with targeted stakeholders if the IASB is unsuccessful at receiving unanimous support for the issuance of a Standard.
22. Some AOSSG members also suggests that the IASB should distinguish a genuine need for clarification to enable proper implementation of a new Standard from teething issues associated with principle-based Standards that are better addressed by allowing practice to develop.

Issues for review: Governance and financing of the IFRS Foundation

23. The AOSSG appreciates the importance of having the appropriate size, geographical representation and expertise of any standard-setting and governance bodies to achieve high quality output.

Trustees

24. The AOSSG generally agrees with a review of every five years but consider that there should also be a mechanism that allows for an ad hoc review. For example, an urgent consultation for strategic direction may be warranted if there has been a significant change in capital market conditions.
25. The AOSSG agrees that the Trustees should be well represented globally and that Trustees should not be involved in any technical matters relating to the Standards. However, some AOSSG members do not support the Trustees' proposal to increase the 'at large' seats at the

Trustee level as this would increase the subjectivity of representation. A few AOSSG members consider that the geographical distribution should be representative of the world's capital markets that have adopted IFRS or expressed firm commitment to IFRS adoption.

IASB

26. Some AOSSG members think that the current size of the IASB (16 by the Foundation's *Constitution*) is appropriate while some AOSSG members are aware that a board of 10 members has been proven to be the most effective. On the whole, the AOSSG supports reducing the size of the IASB to 14 members.
27. A rationale that was suggested for the Trustees to consider when determining the allocation to geographic region is by reference to the relative number of countries within the region that requires or permits IFRS as a reporting basis. If the Trustees were to support this suggested rationale and were to reduce the size of the IASB to 14 members, members think that it would be appropriate to have at least four representatives from Asia-Oceania.
28. In addition to the present competency skills criteria for IASB membership, IASB members should also be selected based on the expertise and experience of implementing IFRS in a less developed environment where, for example, fair values are not as readily available compared to the more developed jurisdictions. Some AOSSG members think that this additional competency would supplement the expertise and experience of the current IASB membership.
29. The IASB should also consider members from the 'at large' category who are experienced in smaller but internationally relevant capital markets as well as major capital markets with internationally large and diverse IFRS preparers and financial statement users.

Other matters

30. AOSSG members note that the IASB's voting quorum is relatively lower compared to other international standard-setting bodies. For example, we are aware that the International Organisation of Securities Commissions makes policy decisions based on consensus and the International Auditing and Assurance Standards Board requires at least assent from two third of members. AOSSG members therefore suggest that the IASB's voting quorum for approving Standards should be increased from 60% to 75%.

Financing

31. The AOSSG acknowledges the importance of a stable long-term funding system and understands the challenges in operating a global standard-setting body on a stretched budget.
32. While the AOSSG agrees that, in principle, each jurisdiction applying IFRS should share the cost of developing IFRS in an equitable manner taking into account the capacity, the AOSSG suggests that the Foundation considers new ways to obtain funding instead of relying on the contribution of certain individual IFRS jurisdictions.

33. The Foundation could consider requesting for funding support from international donor agencies such as the World Bank (or the likes) as we understand that these agencies are mandating donor-reliant jurisdictions to adopt and apply IFRS. Donor agencies could support by directly contributing to the operations of the IASB or providing developing jurisdictions with funds to effectively adopt and apply IFRS as well as contribute to the Foundation's funding model.
34. The Trustees could also consider whether all representatives on the IFRS Monitoring Board are contributing appropriately to the funding of the IASB; and whether it is possible to obtain more long-term financing commitments from targeted stakeholders.
35. The Trustees should be mindful about the risk of charging IFRS users for IFRS-related publications. One of the many responsibilities of the IASB as a global standard-setting body is to ensure that IFRS users understand and are applying the Standards correctly. IFRS users are reliant on certain IFRS materials that are published by the IASB. Some of these materials are currently chargeable but would otherwise ordinarily be provided free of charge by national standard setters.