



29 April 2011

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON IFRS FOUNDATION REPORT OF THE TRUSTEE'S STRATEGY REVIEW – IFRSs AS THE GLOBAL STANDARD: SETTING A STRATEGY FOR THE FOUNDATION'S SECOND DECADE

Comments to be received by 30 June 2011

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IFRS Foundation's Report of the Trustee's Strategy Review – IFRSs as the Global Standard: Setting a Strategy for the Foundation's Second Decade which has been posted on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

In the ten years since its founding, the IFRS Foundation, through its independent standard-setting body, the International Accounting Standards Board (IASB), has succeeded in establishing International Financial Reporting Standards (IFRSs) as the accepted set of financial reporting standards in more than 100 countries. In countries where IFRSs are not the locally accepted standard, adoption of IFRSs is under active consideration. As the organisation's second decade begins, the goal of a single high quality globally accepted set of accounting standards is now within reach. The next 18 months will be critical in determining whether this goal is achieved.

As a result of their second five-yearly review of the Constitution and because of the critical nature of the next 18 months, the Trustees launched a comprehensive review of the IFRS Foundation's strategy. This paper sets out a strategy and vision for the IFRS Foundation and the IASB as they evolve as the global accounting standard-setter.

In this paper, the Trustees set out a series of recommendations for the organisation's second decade. These recommendations address four areas:

- (1) the IFRS Foundation's mission, specifically the public interest served by the Foundation's work;
- (2) governance;
- (3) the process and procedures used by the Foundation and the IASB; and
- (4) the organisation's financing.

In making the recommendations contained in the Strategy Review paper, the Trustees have put forward proposals that affect the different components of the IFRS Foundation. These include actions for:

- (1) the Trustees specifically as the non-executive body responsible for the oversight of the entire gamut of the IFRS Foundation's activities;
- (2) the Foundation in general (which includes the standard-setting function, an education programme, publication and content-related services, IFRS XBRL development, and general operations); and
- (3) the operations, procedures and strategy of the IASB, but not its technical activities.



Consistently with their Constitutional responsibilities, the Trustees set out in this document a vision related to all three organizational components and identify where specific action is required, where appropriate. The Trustees do not comment on the technical content of the IFRSs or possible technical items for the IASB's agenda.

The Trustees acknowledge that they are making these recommendations at a time when a number of major economies are considering the adoption of IFRSs for their domestic economies (including Japan and the United States). For the purpose of the review, the Trustees assumed that these major economies will make a positive decision, in some form, on the adoption of global standards. Failure of such commitment on this basis would lead to the reconsideration of some elements of this strategy review document and could lead to modifications in this suggested geographical distribution of the membership of the IFRS Foundation Trustees and the IASB.

This paper was prepared taking into account the comments that the Trustees received during their first round of public consultation between 5 November 2010 and 24 February 2011. The Institute's submission to that consultation can be assessed at http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2011/future-strategy.pdf.

In making these recommendations, the Trustees also note that the IFRS Foundation Monitoring Board is undertaking its own review of the Foundation's governance arrangements. The Monitoring Board's review focuses primarily on institutional aspects of governance, particularly the composition and the respective roles and responsibilities of the Monitoring Board, Trustees and IASB. While addressing the issue of governance (in a manner consistent with the Monitoring Board's proposals), this paper addresses broader issues of the IFRS Foundation's mission and operations, the Trustees' activities, the IASB's due process, and financing.

The Trustees are committed to co-ordinating the conclusion of their review with the IFRS Foundation Monitoring Board, in order to arrive at an integrated set of proposals on the basis of the proposals and the final decisions reached by the Monitoring Board following its separate public consultation.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the IFRS Foundation's Report of the Trustee's Strategy Review – IFRSs as the Global Standard: Setting a Strategy for the Foundation's Second Decade to be considered, they are requested to be received by the Institute on or before **30 June 2011**.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.