

# Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2011:04

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6 XH  
United Kingdom

Dear Sirs,

## Re: IFRS Foundation: Paper for Public Consultation - Status of the Trustees' Strategy Review

The Swedish Financial Reporting Board is responding to your invitation to comment on the Paper for Public Consultation – Status of the Trustees' Strategy Review.

Our opinion is that the Trustees has an important role in the governance of IASB and that the present organization should be kept. Consequently, we support that the Trustees should also in the future carry out its present important duties, such as:

- Appointing the members of the IASB, the Interpretations Committee and the Advisory Council.
- Influencing agenda decisions and following up that the agenda is complied with.
- Ensuring that due process is carried out.

In summary, we have the following views:

- The preparer-user communication perspective is important.
- Focus should be on high-quality financial information to the capital market.
- Reforms are needed to improve the accountability, the independence and the vitality of the organization.
- The IASB should adopt high-quality standards, based on the needs of capital markets and on practical solutions to financial reporting problems, using an evidence-based approach.

### The preparer-user communication perspective is important

We would like to strongly emphasize that the preparer-user communication perspective of financial reporting should be seen as important for the development of standards from the IASB. This perspective seems to have gotten lost somewhere in the process due to the fact that the views of preparers to a large extent have been ignored. We support the efforts from the IASB to increase user participation in the standard-setting process, but in order to have balanced view on communication we believe that it also should be clarified that preparers are an important group of stakeholders with a



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legitimate interest in the standard-setting process. Companies are also users of financial information and therefore have a strong interest in high-quality standards.

## **Focus should be on high-quality financial information to the capital market**

According to the Framework, the objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential providers of capital in making decisions about providing resources to the entity. Further on, it is stated in the Framework that other parties, such as regulators and members of the public other than investors, lenders and other creditors may find the information in general purpose financial reports useful. However, the reports are not primarily directed to these other groups. We strongly believe that focus also in the future should be on high-quality information to providers of capital and other users involved in the capital market (e.g. analysts). By doing so, the IASB can contribute to public interest in financial reporting.

We strongly believe that financial stability should not drive financial reporting. Clearly there is a risk for political intervention or pressure on the IASB to deal with financial stability or other problems, as can be seen from the latest financial crisis. In our opinion, high-quality financial reporting normally is conducive to financial stability. We are very concerned that short-term political decisions without sufficient empirical support might prevail over a long-term need for stable high-quality reporting.

## **Reforms are needed to improve the accountability, the independence and the vitality of the organization**

We strongly believe that the Trustees should have the responsibilities as set out in the Constitution in the future. We also believe that it is very important that the private sector is represented in the appointment and monitoring process of the IASB.

The Monitoring Board serves, according to paragraph 18 of the Constitution, as a link between the Trustees and public authorities, based on the idea that this structure should replicate, on an international basis, the link between accounting standard-setters and public bodies overseeing standard-setters. We agree that there is a need for such a link on the international level but it is important that the Monitoring Board does not take over the present responsibilities of the Trustees. For our views on the Monitoring Board's governance we refer to our comment letter on the Monitoring Board's own review.

We also note that the role of the IFRS Advisory Council is not addressed in the Review. We believe that the Council can play an important role within the organization, but in order to make the Council more effective, we suggest that the number of members should be reduced. Members of the Council can be appointed for an initial term of three years and an additional term of another three years. In order to ensure that this advisory group remains vital and innovative, we recommend that a staggered appointment procedure be introduced for the additional term.

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**The IASB should adopt high-quality standards, based on the needs of capital markets and on practical solutions to financial reporting problems, using an evidence-based approach**

Over the last years, the Board has given priority to convergence with US GAAP. In our view, converged standards have become a goal to themselves. Even if the original convergence process had strong support from many constituents, we are disappointed with the results of MoU-process. According to our view, convergence with US GAAP does not automatically lead to high-quality standards. It is therefore important that the IASB in the future focuses on adopting high-quality standards.

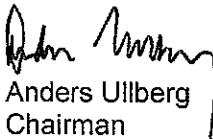
The process of adopting high-quality standards should be based on the needs of capital markets and on practical solutions to financial reporting problems, using an evidence-based approach. Also, the IAS should perform much better cost-benefit analyses and should, before putting projects on the agenda, take cost-benefit considerations into account. Today the IASB acts like improvements always are necessary regardless of what the cost will be for preparers.

With regard to priorities, the work plan has obviously been far too ambitious and the problems showing up right now are a clear indication of this. One example of those problems is the re-orientation of projects which to us is an indication that the IASB is struggling with its priorities and also with the technical solutions to the perceived problems. An indication of this is the increased but unclear role of Staff Papers, which have no backing in the Constitution. We suggest that the IASB itself issues documents, either re-exposure drafts or supplements, such as the one recently issued to ED/2009/12, when it wants to update its proposals. We also want to point out that preparers, often having integrated systems, need time to prepare major changes. Therefore it is important that the IASB timely communicates principal decisions and uses effective dates which give preparers necessary time to implement changes.

Finally, we believe that the new requirement in paragraph 37 (d) of the Constitution to carry out a public consultation every three years regarding the agenda is a major step forward in the standard-setting process. It is vital that the IASB motivates its agenda decisions after such consultations.

Stockholm, 14 March 2011

Yours sincerely

  
Anders Ullberg  
Chairman