

The Swedish Financial Reporting Board

RFR-rs 2015:12

IFRS Foundation Trustees
30 Cannon Street
London EC4M 6 XH
United Kingdom

Dear Trustees,

Re: Request for Views, Trustees' Review of Structure and Effectiveness

The Swedish Financial Reporting Board is responding to your invitation to comment on the Request for Views.

In summary, our main comments are as follows.

- The Foundation should refrain from taking on the responsibility for developing standards for other entities than private sector for profit entities.
- We believe the IASB's current approach to issues concerning the boundaries of financial reporting/wider corporate reporting is appropriate.
- We don't see technological development as a threat to the relevance of IFRS. The IASB should put little effort into issues that relate to the technological transfer, sharing or filing of financial information.
- The work of IFRS IC and post implementation reviews are the best instruments to deal with divergence in practice and interpretation issues.
- The introduction of professional quotas is not an effective way to achieve an appropriate distribution of Trustees.
- The current limitations on the professional backgrounds of the Members of the IASB should be abolished, but we oppose altering the number of Members. We agree to the proposal to make the terms of the Members renewable for a further term up to five years.
- We agree to extend the intervals between Trustee reviews. An extension should be combined with a time frame within which reviews should be completed.



Rådet **för** *finansiell rapportering*

Standards Development

In the Strategy Review report, the issue of developing standards for other purposes than financial reporting as well as for other entities was highlighted. It has also been emphasized that greater consideration has to be taken to technological development in standards development in order for the IFRS to maintain their relevance.

As regards standards development for other entities than private sector for-profit entities, we question that a broadening of the scope for the Foundations responsibilities would enhance the relevance of the IFRS. As pointed out in the issues paper, international standards for public sector accounting are already developed by the International Public Sector Accounting Standards Board (IPSASB). We agree with the Trustees' view that there are no pertinent reasons for the Foundation and the Monitoring Board to take on the responsibility for IPSASB. We acknowledge that there is a lack of international standardization of financial reporting for the non-profit sector. However, we don't believe that this is an issue for the Foundation. On an overall level, we trust that the IFRS is a set of high quality standards that, with proper adjustments, may also be suitable as a foundation for financial reporting in larger non-profit organizations. However, the development of standards for these entities would be better managed by a body that is more closely related to stakeholders of non-profit organisations. We therefore discourage the Foundation to take on responsibility for standard setting for entities outside the for-profit sector.

As regards the boundaries of financial performance, the IASB will never be able to fulfill the reporting needs for all entities. There will always be particular entities that will complement the financial statements as presented according to IFRS with alternative performance measures (APMs) and other additional information which, in their view, provides a more complete picture of the entity and its performance. We do not see any particular risk that this practice will grow to a threat to the credibility of the standards, as long as the IASB are responsive to the prevailing stakeholder requests. We believe that the current approach to tackle this issue within the disclosure initiative is reasonable.

We also believe that, regarding the Foundations and the IASB:s future role within the area of integrated reporting and other initiatives within wider corporate reporting, the existing forms of co-operation is the appropriate way to participate in the development.

We have previously commented upon the issue of integrating XBRL within the standard setting process (see our response to the Foundations Report of the Trustees' Strategy Review, 2011). We fear that bringing XBRL into standard setting will be detrimental to the principle based approach, particularly as regards the presentation of disclosures. We cannot see how technological developments threaten the relevance of IFRS, and we doubt that it is the role of the IASB to support the technological use of data and the filing of information. Further, there may be other superior approaches to electronic communication of financial information that are neglected if all the efforts are directed towards XBRL. Therefore, we challenge that the Foundation and the IASB should take on research or other initiatives on issues that concern the technological transfer, sharing or filing of information. We are aware that several regulators have taken measures to improve the digital access to financial information.



However, we question if not the demand for electronic access to financial information is more administrative than market driven. According to a recent report from the Financial Reporting LAB, investors are not clear on the benefits of XBRL.

Consistency of Application and Implementation

We believe that it is important that the IASB's standard-setting should be based on a deep understanding of the constituents' needs for improvements in financial reporting before a new standard-setting project is undertaken and that proposals are thoroughly analysed and tested before being issued as a final standard. We agree with the Foundation that inconsistency within the application of standards undermine comparability which is a central purpose of having a single set of global reporting standards. Therefore, implementation and maintenance issues are a necessary part of the IASB agenda.

Having that said, besides the work of the IFRS IC, we believe that post implementation reviews is the key instrument for the IASB to capture crucial areas where there is a need for clarifications, additional guidance or amendments. Regarding the establishment of transition resource groups and similar initiatives, we believe that the IASB should be restrictive, as these activities may be counteractive to the principle based approach to standard setting.

Governance

The governance of the Foundation has been subject to review on a number of occasions and we believe that the current three tier structure generally works well to achieve the primary goals of the organisation. The distribution of Trustees should be suitable as regards experience, background and geographical origin. However, we agree that professional quotas should not be introduced. We also believe that it is important that the vast majority of the Trustees should represent jurisdictions that allow the application of IFRS.

During recent years, we believe the IASB have adjusted to the demand for increased transparency. We believe that it is necessary that the Board Members of the IASB continue to engage in external activities and maintain the dialogue with stakeholders. Yet, the quality of the IASB's decisions is dependent on that all Board Members are updated on each issue on the agenda. Thus, the aim to be transparent should not interfere with the IASB decision making.

As regards the size and the distribution of the IASB, we believe that the current number of Board Members is suitable and thus should not be altered. However, the geographical distribution should better reflect those jurisdictions that allow the application of IFRS. We agree with the proposal to alter the constitution and abolish the current restrictive limitations on the professional backgrounds of the members. We also agree to the proposal to make the terms of the IASB members renewable for a further term up to five years.

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The credibility of the Foundation and the IASB is dependent on transparency, responsiveness to stakeholder needs, and the maintenance of opportunities for interested parties to influence the activities and the governance of these bodies. However, the standard setting process is a long range activity and we believe that too frequent reviews may be counteractive to the Foundations mission. We therefore think that extended intervals between reviews are sound. However, we believe that an extension should be combined with a time frame within which reviews should be completed. Otherwise, the intervals between these assessments may, potentially, be unduly extended.

If you have any questions concerning our comments please address our Executive member Claes Janzon by e-mail to: claes.janzon@radetforfinansiellrapportering.se.

Stockholm, 3 December 2015

Yours sincerely,


Anders Ullberg
Chairman