

The Swedish Financial Reporting Board

RFR-rs 2011:08

Tom Seidenstein
Chief Operating Officer
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

Re: IFRS Foundation Report of the Trustees' Strategy Review

IFRS as the Global Standard: Setting a Strategy for the Foundation's Second Decade

The Swedish Financial Reporting Board is responding to your invitation to comment on The IFRS Foundation Report of the Trustees' Strategy Review, IFRS as the Global Standard: Setting a Strategy for the Foundation's Second Decade.

In summary, we have the following views.

- We support what is stated in the report regarding the mission of the organization but we believe that the description of relevant users of financial information is too narrow. Companies are also users of financial information and therefore have a legitimate interest in the standard-setting process.
- We support the idea that the organization also in the future should have a three-tier structure (the Monitoring Board, the Trustees and the IASB) and that the role of the different bodies be further clarified.
- We support the idea that the due process should be reviewed and benchmarked against other organizations.
- We believe that the Trustees should take a more active role in the oversight of the due process.
- Agenda decisions should be supported by evidence, including a cost benefit analysis, that changes or developments are needed. Effect analyses should be performed from the start of a project and not just in the end.
- The methodology for field visits and effect analyses should be benchmarked against similar functions performed by other organizations.
- We do not support the idea of integrating XBRL into the standard-setting process.



Rådet för **finansiell rapportering**

Mission

We support the principles and recommendations in the report regarding the mission of the organization and that, in carrying out the IFRS Foundation's mission as the standard-setting body, the IASB should develop financial reporting standards that provide a faithful presentation of an entity's financial position and performance. We also support the idea that those standards should serve investors and other market participants in their economic and resource allocation decisions and that the confidence of all users of financial statements in the transparency and integrity of financial reporting is critically important to the effective functioning of capital markets, efficient capital allocation, global financial stability and sound economic growth. But we also would like to reiterate what we have said in previous comment letters, that it should be clarified that preparers are an important group of stakeholders with a legitimate interest in the standard-setting process.

In order to make IFRS a truly global standard, it is very important that jurisdictions adopt full IFRS. We are fully aware of the fact that the IASB cannot enforce this, but we would like to point out that what is said in the report regarding consistent adoption and application of IFRS on a global basis in reality only has relevance to those jurisdictions adopting full IFRS. It is difficult to talk about consistent application and adoption of IFRS if different jurisdictions have different carve-outs and additions to IFRS. Having said that it seems quite natural that the IASB is seeking cooperation with national and international organizations in order to identify divergences from IFRS since the IASB does not have any enforcement mechanisms. But it should be pointed out that how cooperation is set up in practice will be of significant importance. Very few national organizations will have the necessary resources available to perform the tasks envisioned by the Trustees. Adding to that, it is also important that surveys of adoption and application is performed in a consistent manner. A challenge is probably to make everybody take an identical view of what is meant by full adoption and consistent application. We therefore believe that a good way to enhance cooperation is to further develop the interaction with regional organizations, e.g. EFRAG in Europe. We would also like to point out that companies have a strong interest in consistent application and that the report completely has ignored the importance of global companies as key contributors to a consistent application of IFRS.

Regarding consistent application of IFRS, we would like to reiterate what we have said in previous comment letters. We believe that the IFRS Interpretations Committee (IC) has a central role to play. Few IFRICs have been published, while the number of agenda rejections has been high. Our view is that the restrictive mood of the IC is a reflection of a principle based interpretation. We support this approach. The problem with agenda rejections is that the IC might be saying too much when motivating why an issue should not be put on the agenda. It very easily leads to a situation where rejections in reality are used as practical guidance. One clear indication of this is that the IASB has included references to rejections in its publications of standards and interpretations. We believe that the Trustees' Due Process Oversight Committee should address this question and try to find a way to limit the impact of this "de facto guidance".



Rådet **för** *finansiell rapportering*

Governance

We support the approach that the organization also in the future should have a three-tier structure (the Monitoring Board, the Trustees and the IASB). We also support that the roles of the different bodies of the organization are clarified and that the way that oversight responsibilities are discharged is clarified and reported to the public.

We support the recently announced developments regarding membership and rotation of members of the IFRS Advisory Council.

Process

We support the idea that the due process should be reviewed and further enhanced regularly, being benchmarked against other organizations. We also support the recommendations presented regarding the Trustees' oversight of the due process. We would, however, like to emphasize that oversight of the due process must be performed in an active, investigative and critical manner. The Trustees should be aware of the fact that stakeholders have voiced their concerns regarding the process of a number of projects currently undertaken by the IASB. It is therefore very important that the Trustees take a firm grip of the due process issues in the future to ensure that the IASB follows the guidelines in the Due Process Handbook.

Regarding the agenda-setting of the IASB, we support the recommendations presented by the Trustees in the report. But we would also like to emphasize that agenda decisions need to be supported by evidence that changes or developments are needed and that the benefits outweigh the costs.

In the report it is recommended that the methodology for field visits/tests and effect analyses is developed. We support this recommendation but we would also like to point out that the development of methods should be benchmarked against similar functions performed by other organizations. Regarding the process for field visits and effect analyses, we believe that it is important that Trustees further develop the guidelines in the Due Process Handbook and also actively monitor that those activities are performed by IASB in a manner consistent with the guidelines. Regarding effect analyses, it is very important that such analyses are performed from the start of a project and not just at the end. We also believe that in order for the IASB to be able to carry out effect analyses, expert knowledge not found in the present organization might have to be added.

Finally, we would like to comment on the idea of integrating XBRL into the standard-setting process. We do not support this idea. XBRL is a language supporting electronic communication of financial reporting. Bringing XBRL into standard-setting might be detrimental to the idea of having principle based standards, especially in the area of disclosures.

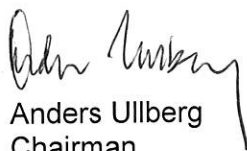


Rådet **för** **finansiell rapportering**

If you have any questions concerning our comments please address our Executive member Carl-Eric Bohlin by e-mail to: carl-eric.bohlin@radetforfinansiellrapportering.se

Stockholm, 3 August 2011

Yours sincerely



Anders Ullberg
Chairman