



Discussion Paper

AOSSG's Working Relationship with the Proposed ASAF

By HKICPA

In early November 2012 the IFRS Foundation (IFRSF) published an Invitation to Comment *Proposal to Establish an Accounting Standards Advisory Forum (ASAF)* with comments requested to be received by 17 December 2012. The ASAF is the IASB's new initiative to engage with regionally-based standard setters on a multi-lateral basis.

Proposals in the Invitation to Comment

1. The role of the ASAF would be to provide advice and views to the IASB on major technical issues related to its standard-setting activities and to provide input on national and regional issues. The aim is to have representation at a high level of professional capability and with a good knowledge of their jurisdictions/regions so that this can be expressed clearly and discussed thoroughly with the IASB. It would be necessary to ensure that the ASAF is effective in providing essential technical advice to the IASB. Because the ASAF would be an advisory body, there would be no voting.
2. The Invitation to Comment proposes that the ASAF be composed on the basis of geographical representation and balance with 3 seats assigned to the Asia-Oceania region and another 2 seats assigned to the world at large out of a total of 12 seats. The view underpinning the proposals is that there should be a critical mass of membership of the ASAF: that is, enough members at a minimum to allow the major NSS and regional bodies to be represented for a healthy dialogue of views to take place, and especially bearing in mind the need for flexibility and specialised input on certain topics from time-to-time; but not so many members at a maximum that would impede on the workability of the ASAF.
3. For the purpose of our discussion at the 28-29 November 2012 Annual AOSSG Meeting, paragraphs 6.12 and 6.14 of the Invitation to Comment are of particular relevance. They state:
 - 6.12 As a consultative group to the IASB, there should be the possibility for the IASB to invite a particular NSS or regional body to participate according to the IASB's specific agenda priorities at any point in time, subject to any candidate having the technical expertise and capability to play a full role in the ASAF.

6.14 Membership would be on the basis of organisational representation rather than on an individual basis, but there is an issue as to how individuals representing those organisations should be chosen and by whom. For the purpose of achieving efficiency, continuity and good personal working relationships, it is proposed a single designated individual should be the member of the ASAF, which would most likely [be] the Chair or another senior member of the organisation, given the required level of technical expertise. That said, flexibility will be required to allow representation by another member of the organisation with specialist expertise where appropriate.

What might the proposals imply?

4. Paragraphs 6.12 and 6.14 appear to indicate that, to a degree, ASAF membership might be more on a 'floating' basis such that different individuals might be sitting at the table at different stages during the same meeting depending on the subject matter being discussed at various times. So, for example, if the AOSSG were the organisation being represented on all 3 seats allocated to the Asia-Oceania region under paragraph 6.8, although the AOSSG Chair would by virtue of paragraph 6.14 ex-officio be occupying a 'permanent' (2-year term), the other two seats could be occupied by different members of the AOSSG, in representing the views of AOSSG members, depending on the subject matter being discussed (subject to the 'technical expertise' criterion and other pre-requisite commitments expressed elsewhere within the Proposal).
5. There may be the expectation for a representative to consult widely within their regional grouping of NSS, not necessarily for the purpose of obtaining consensus on a particular matter but – especially at the earlier stages of discussion – for canvassing views and engaging NSS (and, through them, their respective constituents and stakeholders) on technical matters to bring what may be a divergent collection of views to the ASAF table. Of particular importance to the IASB we foresee is not only to take note of those divergent views but to ensure that standard-setting projects recognise those divergent views and ensure that standard-setting proposals are both responsive and relevant to concerns that have been proactively sought from a broad base of standard-setters and their constituents.
6. In recognising that there would be divergent views on any given issue especially at the earlier stages of discussion, we might expect a representative from the AOSSG region to at least bring other regional NSS members' views to the table (i.e. there is an expectation and an undertaking on the part of the representative to do so) but would not necessarily be expected to further advocate those views if they differed from the representative's own views.

Possible approaches

7. At the AOSSG informal meeting held in London on 24 October 2012, attendees welcomed and supported the proposed ASAF in principle. Attendees considered how the AOSSG might work with the proposed ASAF, noting that the discussion was held in advance of the Invitation to Comment being issued, and therefore, subject to the nature of those proposals. Matters discussed at the meeting are noted below
8. From the proposals surrounding the Memorandum of Understanding and paragraphs 6.12 and 6.14, it is still not totally clear in the Invitation to Comment whether the IASB will invite membership of the ASAF to individual standard-setters either on an individual basis or as representatives of a regional standard-setting group. The AOSSG might not have any control or influence about whom specifically the IASB invites to join the ASAF. Because of this, there may be concerns about how the AOSSG fits into the process as there will always be a limited number of seats on the ASAF.
9. The issue of inclusiveness was also discussed – the fact that there are only a limited number of seats allocated to the AOSSG region yet we potentially have more eligible candidates than there would be seats to fill – and this would need to be handled in a way that preserves the cohesiveness of the AOSSG. The meeting recognised that the level of briefing and technical expertise required at the table will be quite substantial and that the burden will likely be significantly more than a mere three representatives from the AOSSG could potentially bear. The meeting considered that the AOSSG should look to form a "briefing group" of members (this would be a vital, recognised role within AOSSG) who could keep on top of technical issues associated with ASAF agenda items; provide support to the nominee representatives; specialisms could develop.
10. The meeting also considered that, if the IASB proceeds to invite standard-setters on an individual or direct basis, the AOSSG could put into place a protocol for those invitees from the AOSSG region, who accepted the IASB's invitation, to agree to represent the views of AOSSG members, and the briefing group. These views might conflict or potentially contradict the appointee's individual views but the appointee would need to acknowledge that they are presenting not only their own views as an individual standard-setter appointed to join the ASAF but also views as a representative of the AOSSG (it is highly likely that invitees from within the AOSSG region are AOSSG members).

Discussion points for the AOSSG meeting:

11. How would members view the situation if paragraph 6.14 of the ED became part of the finalised procedures of the ASAF, and we were entitled to appoint specialist representatives to bring AOSSG views to the ASAF?
12. What are members' views on establishing a proposed briefing group within the AOSSG?
13. What are members' views in terms of a protocol that would require the ASAF seat holder to provide briefings to the AOSSG both before and after an ASAF meeting – both to solicit views of AOSSG members and to provide a post-meeting briefing to AOSSG members for example at informal and formal meetings of the AOSSG?
14. What are members' views on the AOSSG representative presenting both the views of other AOSSG members as well as their own when attending ASAF meetings?