The Asian-Oceanian Standard Setters Group — a growing voice to be heard at the table?

The Asian-Oceanian Standard Setters Group (AOSSG) was first established in November 2009 to serve as a mechanism and platform for countries in the region to discuss and share resolutions to emerging issues and contribute to the development of International Financial Reporting Standards (IFRS). Today the group represents 21 accounting standard-setters across the Asia and Oceania regions. The group has four objectives, set out under a Memorandum of Understanding (MOU) and signed by member countries:

- Promoting the adoption of, and convergence with, IFRS by jurisdictions in the region
- Promoting consistent application of IFRS by jurisdictions in the region
- Coordinating input from the region to the technical activities of the International Accounting Standards Board (IASB)
- Cooperating with governments, regulators and other regional and international organisations to improve the quality of financial reporting in the region.

The economic crisis and goal of the G-20 countries to achieve a single, high quality, global financial reporting standard have only highlighted the importance of the role that standard-setters around the world play. To gain further insights about where the AOSSG is heading and how the group intends to achieve its objectives, Ruth Picker, Global Leader of IFRS Services at Ernst & Young, spoke with Mohammad Faiz Azmi, Chairman of the Malaysian Accounting Standards Board and Chairman of the AOSSG, and Kevin Stevenson, Chairman and Chief Executive Officer of the Australian Accounting Standards Board.

Ruth Picker (RP): How does the AOSSG intend to achieve the objectives as set out in the MOU?

Mohammad Faiz Azmi (MFA): All members of the AOSSG are invited to participate in meetings or working groups (WG) to provide their views and feedback on topics under discussion, mainly covering IASB projects. The AOSSG has, to date, established eight technical WGs that focus on the IASB’s current projects, namely: financial instruments, presentation of financial statements, revenue, fair value measurement, leases, consolidation, insurance and emission trading schemes. The objective of the WGs is to assist the AOSSG in providing timely input and feedback to IASB. This ensures that the AOSSG plays a meaningful role in the formulation of a proposed new or revised IFRS by the IASB.

In addition, a technical WG on financial reporting relating to Islamic finance and IFRS was also set up as a result of the interest expressed by a number of members.

Kevin Stevenson (KS): Through the conferences and WGs, a good deal of dialogue is now happening, awareness of issues is being raised and understanding that any multi-country consideration of accounting standards has to put aside local legal issues. Those countries now developing their standard-setting practices can benefit by seeing how other countries are operating. All of our members are learning from each other’s experiences and circumstances.
MFA: The interaction between members and the IASB has also helped national standard-setters explain IFRS to their stakeholders.

KS: That’s true. National standard-setters in the region can also leverage the weight of experience through the region and assist members in establishing an adequate regulatory environment in which IFRS can be applied. For example, balancing the demands for national sovereignty versus embracing IFRS in totality is a difficult line to tread. The issue of conversion versus convergence is a question being faced by many countries.

RP: On the four key technical issues identified and discussed at the first AOSSG meeting, namely, financial instruments, revenue recognition, fair value measurement and financial statement presentation, what are the key achievements to date?

MFA: The AOSSG has formed WGs to look into each of these areas and has made excellent headway. For example, the WG on financial instruments has successfully submitted to the AOSSG views on the Exposure Drafts (EDs) that relate to financial instruments and these have been submitted to the IASB. In addition, the WG on revenue is now working hard on the AOSSG response to the IASB ED on revenue. This WG is co-lead by Japan and Singapore.

KS: We have shown that working groups are able to establish protocols, meet timetables, consult with experts in the region and with the IASB members and staff and deliver high quality submissions on time. The submissions we are making are distinctive in style, objective and, we hope, thought-provoking.

RP: Is the AOSSG expected to change the way that local national standard-setters in this group work?

MFA: Yes, I would like to believe it will improve domestic standard-setting. By participating in AOSSG meetings and WGs, comprising a smaller subset of member countries, members would derive valuable benefits through the processes of dialogue and working with colleagues from other jurisdictions who bring to the table collective ideas and thought leadership.

KS: National standard-setters themselves have a very real need for independence and are well used to dealing with vested interests. So our best protection is our own culture.

MFA: And perhaps the clearest way our intention can be evidenced through time is from the high quality of our technical submissions.
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RP: Related to the topic of independence, how is the AOSSG expected to be funded? What will the funding received be spent on?

MFA: The AOSSG is self-funded by the respective national standard-setters. The AOSSG Chairman provides the AOSSG Secretariat and acts as a contact point for all members. Having said that, it is intended that the chairmanship and vice-chairmanship of the AOSSG is rotated amongst members at each annual general meeting. The second meeting of the AOSSG will be held later this month in Tokyo.

Going forward, as the AOSSG expands with more membership, there may be a need to share secretarial and other common costs, but we have not come to that stage yet.

RP: The AOSSG has made tremendous progress since it was formed. Perhaps the next pertinent question is, where do you envision the AOSSG to be 10 years from now?

KS: We currently have around 24 active countries and they cover the larger countries and some of the developing ones. Ten years from now, I would hope that the AOSSG has grown its membership base to have an active membership covering most of the 90 countries or dependencies comprising Asia and Oceania. I also hope to see the AOSSG become more involved in outreach activities with preparers of financial statements, investors and auditors.

MFA: I believe what we have achieved this year is just the start of more things to come. I am glad to hear that even now, the success of the AOSSG has so far attracted other regions to learn more about the AOSSG. As for the future, I would expect a more formal centralised structure to be set up within the AOSSG in the years to come to serve as a focal point for standard-setters in the region. We would also like to grow into a more confident and technically strong group and hopefully in time have more influence on international standards.

The second meeting of the AOSSG will be held in Tokyo on 29 and 30 September 2010.

www.aossg.org – the website of the AOSSG is currently under development, and when completed, will provide further details about the AOSSG and its activities.