



SAS Quadra 05. Bloco J. CFC  
Brasília, Distrito Federal – Brazil  
[www.cpc.org.br](http://www.cpc.org.br)

December 17, 2012

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

**Re: Proposal to Establish an Accounting Standards Advisory Forum - “ASAF”**

Dear Sirs:

The “Comitê de Pronunciamentos Contábeis” - CPC<sup>1</sup> welcomes the opportunity to comment on the Proposal referred to above.

We are an accounting standards-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies.

This response summarizes the views of our members, which may be eventually supported by the opinions of external parties, sent to us for analysis and to enhance the discussion on the subject matter. We may on occasion also make efforts to encourage other external parties to send comments directly to the IASB.

Besides going to the direct questions you asked in your “Invitation to Comment” document of November, 2012, please allow us to start with some other pertinent observations.

**1) ASAF x IFRS Advisory Council:**

Your “Invitation to Comment” document, on item 7.2 – page 14, properly admits that *“Another important consideration to be discussed is any potential impact, following this development, on existing Foundation bodies, such as the Advisory Council”*.

On item 6.3 – page 9 you state the intended role of ASAF as being *“... 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...”*.

On its turn, the Terms of Reference of the IFRS Advisory Council state that:

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<sup>1</sup> The Brazilian Accounting Pronouncements Committee (CPC) is a standard setting body engaged in the study, development and issuance of accounting Standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), BMF&BOVESPA (Brazilian Stock and Futures Exchange), CFC (Federal Council of Accounting), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Institute of Independent Auditors of Brazil).



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“IFRS Advisory Council  
Terms of reference and operating procedures

#### I Objectives and scope of activities

1 The primary objective of the IFRS Advisory Council of the International Accounting Standards Board *is to provide a forum where the International Accounting Standards Board (IASB) consults individuals, and representatives of organisations affected by its work, that are committed to the development of high quality International Financial Reporting Standards (IFRSs)*. As part of that consultative process the Council gives advice to the IASB on a range of issues which includes, but is not limited to, the following:

- input on the IASB’s agenda;
- input on the IASB’s project timetable (work programme) including Project priorities, and consultation on any changes in agenda and priorities; and
- *advice on projects, with particular emphasis on practical application and implementation issues, including matters relating to existing standards that may warrant consideration by the IFRS Interpretations Committee.*

In view of the importance of the IASB’s agenda and priorities, once these have been determined by the IASB, changes thereto are expected to be the subject of consultation with the Council. When considered appropriate by the members of the Council, or on the request of the Trustees of the IFRS Foundation, the Council also provides input to the Trustees on matters relating to the activities of the Council or the IASB and other relevant issues.

2 A secondary objective of the Council is *to support the IASB in the promotion and adoption of IFRSs throughout the world*. This may include the publishing of articles supportive of IFRSs and addressing public meetings on the same subject. Any such views expressed are personal, and should not create the impression that they are the opinions of the Council. (This objective does not preclude Council members from participating in genuine and objective critiques of the work of the IASB to assist better understanding and transparency of issues and solutions).” (*underlining sentences added*).

From this comparison, it results clear that there is a potential conflict between the objectives intended to be achieved by the proposed ASAF and those of the long-established IFRS Advisory Council.

We are of the opinion that this situation should be resolved in a satisfactory way before the intended FORUM is formed. It is not in the interest of the international accounting community (preparers, analysts, auditors, academics and standard-setters) that any potential conflict of objectives exist as to the role of either of those two bodies, the existing one or the one intended to be formed – and in our perception, and as admitted by paragraph 7.2 of your “Invitation to Comment” document, an “impact” may actually exist; we urge you to eliminate the doubt on whether such impact may result in structural changes in either one of them – and to implement any structural changes that may be considered appropriate before the new body is formed.

## 2) **Size and Composition**



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**a) Size:**

This is a most challenging issue, to the extent that there is no sound rationale to determine the final number of participants in the ASAF, if formed.

Although we appreciate your observation that a 16 members IAS Board express their views by voting and the ASAF would not vote, it is our understanding that, having in mind one of the intended objectives of AFAS (“...*item 2 of paragraph 6.4 of your document, literally ‘encouraging input from their jurisdiction/region to the technical activities of the IASB’...*”) both already engaged jurisdictions and newcomers would be in a better position to advice the Board if a larger rather than a smaller geographic coverage is adopted. This is to a certain extent a “judgment” issue, similar to many existing in the literature of IFRS on technical matters, and our opinion is that at least 16 members ASAF – if formed - (to use the same IAS Board number that seems proves to be a good one) would better serve the intended purpose than proposed 12 member composition.

**b) Composition:**

Paragraph 6.8 suggests a specific geographical balance, and item 3. of paragraph 6.4 calls for “...*supporting consistent application of IFRSs by jurisdiction and in the region...*”.

With all due respect, it seems to us that these two objectives are incompatible with each other when one remembers that very large capital markets in the world are explicitly reluctant – if not declared adversaries - to converge towards IFRS: would they be excluded from being members of ASAF? If not, how could they give positive contributions to the process if not falling within the requirement of item 3. of 6.4 of your document?

That must in our view be left clear to start with, and the wording you propose does not lead to an undisputable understanding of which jurisdictions would be or not eligible for membership of ASAF.

**3) Chairmanship**

Paragraph 6.19 of your “Invitation to Comment” document says that “...*the intention is that ASAF would be chaired by either the Chairman or the Vice-Chairman of the IASB...*”

Again, with all due respect, we disagree with this proposal for the following basic reason:

It is not conceptually reasonable that the Chair of the Advisory body be the Chair of the “Advised” body. If the Chairman or the Vice-chairman of the IASB chair the body that shall supposedly advise them, the conceptual, almost philosophical question is “why do they need the Advisory body at all”? That issue popped up originally with the Chairmanship of the IFRS Advisory Council (“SAC”, at the time) back when the IASC was transformed into IASB, and the Trustees quickly



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realized their mistake of assigning the Chair of the IASB to also chair SAC – an “expedient” was adopted for the first term of the then appointed SAC members (an independent vice chair was appointed and actually chaired all sessions), and due organizational and bylaw changes took place soon after to start appointing INDEPENDENT chairmen for SAC and for IFRS A. Council as it is today.

We urge you to reconsider and eventually decide to appoint an independent chairman for ASAF, if it is formed.

#### **4) On the proposed MoU:**

You support the recommendation for all ASAF members to sign a MoU on the grounds that AOSSG and the FASB also have signed similar documents. This could not, in our view, be generalized around all affected REGIONAL jurisdictions. Formal arrangements and/or legal environments may preclude certain regional bodies to commit themselves to that extent, and you could risk losing key players in this process.

After all those considerations, we now offer our answers to your specific questions:

#### **Question 1 – Do you agree with the proposed commitments to be made by ASAF members (paragraph 6.4) and that they should be formalized in a Memorandum of Understanding (paragraph 6.5)? Why or why not?**

Our Answer:

The commitments are well intended but the document fails to explicit how they would be matched with jurisdictions that may have important contributions to the international accounting standards setting process and are not engaged in convergence. In addition, the MoU seems to fail to recognize regional formal obstacles to achieving the intended purpose.

#### **Question 2 – The Foundation believes that, in order to be effective, the ASAF needs to be compact in size, but large enough to allow for an appropriate global representation. Do you agree with the proposed size and composition as set out in paragraphs 6.7 – 6.13? Why or why not?**

As we stated in our comments above in this letter, this is a substantially judgmental matter and there is no magic number to guide the decision. For the sake of improved representativeness, we are of the opinion that ASAF, if formed, have the same number of Board members, presently 16.

We stress the importance of your consideration of other issues not covered specifically by your questions, which we discussed in this letter, namely:

- 1) ASAF x IFRS Advisory Council
- 2) Composition
- 3) Chairmanship



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It is our opinion that the answer to these issues we raised may affect the intention and/or the timing of implementation of such a Forum.

We think further discussion would be welcome.

If you have any questions about our comments, please contact us.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Edison Arisa Pereira', is written over a light blue circular stamp.

**Edison Arisa Pereira**  
Technical Coordinator  
Comitê de Pronunciamentos Contábeis (CPC)