

# ***Charter***

## **The IASB and other accounting standard-setters**

*Working together to develop and maintain global financial reporting standards*

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## Background

1. This Charter sets out the understanding between the International Accounting Standards Board (IASB) and those accounting standard-setters and other accounting bodies that participate in the International Forum of Accounting Standard Setters (IFASS), referred to in this Charter as “other accounting standard-setters”. At its meeting in March 2014, IFASS reached a consensus in support of this Charter and agreed with representatives of the IASB that it should be posted on the IASB’s website to help clarify the IASB’s working relationship with other accounting standard setters. The IASB and IFASS recognise that this understanding could be applicable to a standard-setter that does not participate in IFASS.
2. Participation in IFASS is open to all standard-setters and bodies with functions such as:
  - (a) responsibility/authority to set accounting standards for a jurisdiction;
  - (b) responsibility for, or a direct role in facilitating, the setting of accounting standards across a number of jurisdictions in a region, or
  - (c) responsibility to assess IFRS (or standards set by another standard-setter) for adoption in its jurisdiction for the purposes of making recommendations to the legislature.
3. This Charter has been developed on the premise that it is essential that the IASB and other accounting standard-setters work together in a spirit of openness and close co-operation. The activities identified in this Charter are important in building and maintaining the relationship between the IASB and other accounting standard-setters.

### The IASB

4. The IASB is the standard-setting body of the IFRS Foundation responsible for all technical matters including the preparation and publication of IFRS. For IFRS to be of high quality and to be globally accepted, they need to address the needs and requirements of users and preparers around the world. IFRS cannot be successful unless they are implemented and applied consistently across regions and jurisdictions. To achieve this, IFRS need to be developed using collaborative processes between the IASB and its stakeholders.

## Accounting standard-setters

5. Most jurisdictions have local bodies that have important, specified and independent roles within their jurisdiction related to the development or endorsement, or both, of IFRS and other matters. Standard-setters' responsibilities vary, but might include, for example, the development of domestic accounting standards for entities that do not apply IFRS, taking a position on IFRS proposals, and recommending whether IFRS and changes to IFRS should be adopted. However, despite differences in specific responsibilities, they support the IASB's goal of developing a single set of high quality, enforceable global financial reporting standards.
6. Other accounting standard-setters perform activities similar to those of the IASB and have knowledge of local regulatory, economic and cultural factors which are important to the IASB when it develops, supports the implementation of and maintains IFRS. Accounting standard-setters interact with their local network of stakeholders, informing them about developments internationally. They also provide the IASB with a summary or synthesis of the views of their stakeholders and of the likely effects of the proposals within that jurisdiction, providing a context for the views of those stakeholders. This in turn helps the IASB to consider and compare the views and likely effects across different jurisdictions.
7. Accounting standard-setters engage in many activities, some of which may facilitate the adoption and on-going endorsement (where appropriate) of IFRS, such as translation, compliance with local legislative requirements, compilations of standards for a specific time period and consolidation of new or revised text. The document *A Model for National Standard-Setters* describes in more detail attributes and responsibilities of national standard-setters<sup>1</sup>.
8. Accounting standard-setters are, therefore, both stakeholders in IFRS and an essential part of the IFRS network.

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<sup>1</sup> IFASS discussed *A Model for National Standard-Setters* several times during its development by the Australian Accounting Standards Board and reached a consensus to support its stated purpose and its description of the activities of NSSs and the concepts that underlie them as IFASS concluded that the *Model* provides useful, though not mandatory, guidance for NSSs and bodies that oversee them.

## International and regional groups and networks

9. Some accounting standard-setters have arrangements to share information, facilitate discussions, undertake research collectively, identify implementation issues, mentor less-developed accounting standard-setters and undertake other activities to support the development and implementation of IFRS. Other groups have been organised by standard-setters within a region and there are also international groups. Such groups include the EFRAG Consultative Forum of Standard Setters, the Asian-Oceanian Standard Setters Group, the Group of Latin American Standard Setters and the Pan African Federation of Accountants.
10. This Charter was developed primarily with individual accounting standard-setters in mind. The IASB does not anticipate interactions with international or regional groupings of such bodies as being at the expense of interactions with accounting standard-setters individually. On the other hand, these regional groups were established to make the interactions and activities of other accounting standard-setters more effective and efficient.
11. Some accounting standard-setters might choose to have their views or interests conveyed through a regional group in which they participate. Others might choose to convey their views to, and interact directly with, the IASB. Some may do both. The document *A Model for National Standard-Setters* sets out ways in which networks of accounting standard-setters can help make the development and implementation of Standards more effective and efficient.

## IASB consultative bodies

12. The IASB has established a wide range of consultative bodies to ensure that it has access to preparers, investors, auditors and regulators (securities and prudential). Accounting standard-setters also are represented in many of these bodies, including the IFRS Advisory Council and project-related consultative groups.
13. The IASB has also established the Accounting Standards Advisory Forum (ASAF) to provide it with technical advice and feedback on its projects. ASAF is a group of nominated members from both accounting standard-setters and regional bodies involved with accounting standard-setting.
14. This Charter describes how IASB and other accounting standard-setters working co-operatively complements the work of these consultative bodies, benefitting the IASB and accounting standard-setters. The consultative bodies tend to focus on a specific project or aspect of the

IASB's activities and their meetings are generally held in public. The activities anticipated by this Charter are likely to be those undertaken on a day-to-day basis across a much broader range of activities.

## The Charter

### Purpose

15. The purpose of this Charter is to establish some key principles of co-operation between the IASB and other accounting standard-setters. These principles are designed to enhance the efficiency and effectiveness of international accounting standard-setting.
16. This Charter reflects the partnership between other accounting standard-setters and the IASB who all operate in the public interest. It draws from the commonality of their constituents, goals and activities whilst also building on their complementary differences and competencies.
17. This Charter describes the spirit and the manner by which the development of global accounting standard-setting activities is most likely to meet the shared goals of the IASB and other accounting standard-setters, and to maximise the satisfaction of the needs and requirements of each of the parties involved from their respective perspectives.
18. This Charter describes a shared understanding of the commitments and expectations of the IASB and other accounting standard-setters. As such it is a statement of co-operation that relies on the good faith and best endeavours of the parties rather than a binding contractual arrangement. The principles set out here focus on the practical aspects of staff and members of the IASB and other accounting standard-setters working co-operatively: they describe the actions and procedural matters that deserve the most care.
19. This Charter will be reviewed as experience or circumstances require.

### Overarching principles

20. The IASB and other accounting standard-setters are committed to working:
  - (a) in close cooperation, while respecting independence;
  - (b) transparently and openly, including the sharing of information and, where deemed necessary, of resources;
  - (c) with mutual trust and respect; and
  - (d) with a sense of duty, responsibility and accountability for achieving the shared goal in the public interest.

21. The IASB and other accounting standard-setters have their respective due processes. Co-operation entails working together as much as possible in search of increased transparency, better mutual understanding and reduced costs for constituents whilst respecting each other's independent decision-making and specific responsibilities.. However, the IASB recognises that in adopting or endorsing IFRS other accounting standard-setters are likely to be relying at least in part on the completeness of the IASB's due process and the activities of the IFRS Foundation's Trustees' Due Process Oversight Committee.

### **A shared commitment**

22. The IASB commits to:

- (a) actively engage with other accounting standard-setters and ensure that their views and feedback are faithfully and fully presented to the IASB as a substantive part of stakeholder outreach;
- (b) provide the necessary liaison, communication and support between the IASB and other accounting standard-setters;
- (c) respect the independence of other accounting standard-setters, recognising that they operate under their own specific jurisdictional mandates; and
- (d) develop its outreach and fieldwork activities in as close co-operation as possible with other accounting standard-setters so as to limit the cost of consultation for constituents, insofar as its independence permits.

23. The IASB also undertakes not to undermine or compromise the existing legal rights and obligations of these bodies within their respective jurisdictions.

24. Accounting standard-setters commit to:

- (a) support and contribute to the IASB's role in the development of high quality, understandable, enforceable and globally accepted financial reporting standards;
- (b) encourage input from constituents within their jurisdiction/regions, either to themselves or to the IASB directly, on the technical standard-setting activities of the IASB so that the IASB is in a position to understand all input relevant to its projects;
- (c) periodically exchange information on the progress in the use of IFRS within jurisdictions around the world, to sustain a credible updated data base; and



- (d) respect the IASB's independence, by ensuring that their activities do not compromise or challenge the independence and integrity of the IASB and its duty to be the final authority on IFRS.
25. The IASB recognises that accounting standard-setters are not equally resourced, and some are able to make more substantial and regular contributions than others. The IASB also recognises that other accounting standard-setters in jurisdictions that have not chosen to adopt IFRS may still make substantial contributions to improved financial reporting internationally by participating in IFASS and other forums and providing input.

## The IFRS Standard-setting Process

26. These principles are designed to ensure that the IASB has broad and relevant input on what its priorities should be, including identifying emerging implementation issues, and access to relevant and sufficient evidence and analysis at all stages of a project life cycle (including when it researches whether it should develop new financial reporting requirements, develops exposure drafts and IFRSs and undertakes post-implementation reviews).
27. Accounting standard-setters are essential to the IASB in achieving this outcome especially because the work they perform as part of their local mission and the work they perform in collaboration with the IASB helps ensure that the IASB considers matters that may be specific to their jurisdiction that could affect how a Standard is developed or how a Standard is being applied.

### Cooperation among staff

28. Formal and informal contact at the staff level is very helpful to the IASB and other accounting standard-setters through all aspects of the development and implementation of IFRS.
29. Regular contact between the IASB and other accounting standard-setters, both on a bilateral and multilateral basis can help increase understanding and awareness and provide all participants with the opportunity to contribute to debates and the development of Standards. For example, having accounting standard-setters from a range of regions participate on calls with the IASB, such as part of a post-implementation review or discussion of a potential divergence in practice, can increase awareness of jurisdictional differences or differences in thinking.

30. The IASB and other accounting standard-setters can interact in a range of ways including maintaining a SharePoint portal, regular and ad hoc emails, conferences, regional forums, telephone exchanges and face-to-face meetings. The IASB will also assist other accounting standard-setters to communicate with each other, primarily through the SharePoint portal.
31. The IASB welcomes offers of staff assistance from other accounting standard-setters either through its *Visiting Fellows* programme or project specific secondments. To be effective, from both the IASB's perspective and that of the participating standard-setter, this involvement needs to be undertaken with a clear understanding of the staff member's role and responsibilities.

### **Evidence seeking and stakeholder engagement**

32. The IASB bases its global standard-setting activities on evidence, gathering relevant information to support each stage of its work programme. Local input and evidence is important in all parts of the IASB work plan. As well as providing their own views and analysis, other accounting standard-setters provide access to, or convey the opinions of, local stakeholders through engagement as part of their own due processes, considering issues in the context of their jurisdiction. This helps the IASB understand different needs and be aware of the diversity of thinking about issues, at each stage of the process.
33. In a similar manner other accounting standard-setters collect evidence to support their own missions and responsibilities.
34. The IASB will regularly need to discuss IFRS issues with constituents in the various jurisdictions. Such discussions include those that will be instigated by the local constituents. It would be impracticable for the IASB to try to conduct all such discussions through the local standard-setter, just as it would be impracticable for the local standard-setter to apprise the IASB of all discussions it holds with its constituents about IFRS developments. However, both the IASB and other accounting standard setters should endeavour to ensure as much coordination of discussions as is practicable and to keep each other informed of relevant major issues that arise. Guidance is set out below to assist in coordinating efforts.

## IASB Work programme

35. The IASB work programme has various components:

- **Agenda Consultation:** Establishing the priorities of the IASB over the coming three to five years.
- **Research Programme:** Developing research and discussion papers focused on identifying potential projects to improve IFRS.
- **Standards Programme:** Developing new Standards or major revisions to Standards (including the Conceptual Framework).
- **Supporting the implementation and Maintenance of Standards:** Developing narrow scope improvements, Interpretations and educational material and undertaking Post-implementation reviews.

### ***Agenda Consultation***

36. Every three years the IASB undertakes a review of its priorities in a public consultation on its work programme. Accounting standard-setters have an important role in helping the IASB identify areas where financial reporting needs to be improved. Both the IASB and other accounting standard-setters will need to discuss priorities with constituents, including through, but not limited to, co-ordinated formal due process.

### ***Research Programme***

37. The IASB maintains a research programme and actively seeks other accounting standard-setters to work with the IASB on individual projects. In working together it is important that the IASB and other accounting standard-setters have clear and shared project expectations. It is particularly helpful if the parties agree on:

- (a) the nature of the project, including its objectives;
- (b) the project scope;
- (c) the responsibilities and expectations of each party involved, including expectations about IASB use of the project output;
- (d) the process (including timing, milestones and formulation);
- (e) whether the project will contain views or recommendations, or whether it will present only an analysis of the facts; and
- (f) the output, including deliverables and who will own and/or publish the output, and what will be done with the output.

It is acknowledged that other standard-setters are free to choose to engage in research activities independently of the IASB, including research that may be intended to influence the IASB and the direction of IFRS development.

38. IFASS provides an opportunity for participants to share research they have initiated. This may assist those carrying out research by identifying views and approaches that can be developed further. The IASB also supports research initiated by other accounting standard-setters and will promote, via its website, research papers they produce.

### ***Standards Programme***

39. Accounting standard-setters are important contributors to the development of new standards. As well as the obvious contributions they make in terms of analysis and expression of their own views, accounting standard-setters are also able to provide input and evidence in a variety of ways, from a range of sources. Examples include:

- (a) Comment letters;
- (b) Focus groups, discussion forums and round table meetings;
- (c) Working groups and expert panels;
- (d) Academic and other independent research;
- (e) Critical analysis, analytical assessments, 'what if' analysis and data analysis;
- (f) Fieldwork with stakeholders;
- (g) One-to-one meetings, focus groups, surveys.

### ***Effects analysis and field work***

40. The IASB and individual other accounting standard-setters have procedures for considering how much weight to give to information and evidence they collect. The weight given is influenced by many factors including how directly they were involved in collecting or verifying the information and their confidence in how representative the evidence is likely to be in relation to a particular issue or target group.
41. Information gathered by one body, be it the IASB or another accounting standard-setter, is likely to be given more weight by the other body if the nature of that interaction is transparent.

Having personnel from the IASB and a local standard-setter work together in interactions with local stakeholders provides both parties with direct access to stakeholders, reduces duplication of effort and reduces the likelihood that a stakeholder will be asked for the same or similar information independently by the IASB and another accounting standard-setter .

42. In many cases local accounting standard-setters are well placed to undertake some of the analysis that will be relevant to the IASB as well as to themselves and to identify features that might be unique to a particular jurisdiction. Partnering between the IASB and other accounting standard-setters also provides the IASB with additional resources and expertise and is likely to avoid duplicating work (ie entities do not have to provide the same, or similar, information twice when effects analyses are being performed by different parties). Partnering will ensure that other accounting standard-setters play an active role in the standard-setting process.
43. The IASB and the other accounting standard-setters understand that stakeholders have the right to choose who they talk to. It is not always possible for the IASB and a local standard-setter to engage with stakeholders together. Sometimes a stakeholder will request an interaction with the IASB or a local standard-setter alone. The IASB and other accounting standard-setters may maintain open relationships with other stakeholders. The IASB and other accounting standard-setters are not precluded from having individual relationships with stakeholders and there should be no restriction on the ability of the parties to develop and maintain their own relationships. However, the IASB and other accounting standard-setters will make their best efforts to work together to improve the transparency of their interactions and to encourage stakeholders to also communicate openly with the other party.

***References to IFRS (GAAP) in contracts, taxation and regulation***

44. Although the IASB's objectives for financial reporting focus mainly on investors, it also understands that general purpose financial reports are used for many other purposes. General purpose reports are often referred to in contracts between banks and their business customers. Some jurisdictions link aspects of their taxation systems to amounts determined by financial reporting policies. Banking supervisors often use financial reported numbers as inputs when they assess financial stability. And some governments also use the reports for statistical and economic planning purposes.
45. It is not the responsibility of the IASB to meet the objectives of these other bodies. However, the IASB does have some responsibility for ensuring that bodies that use IFRS financial

statements are given the opportunity to assess how the IASB's standard-setting affects their own objectives and, when practical, to permit sufficient time for necessary changes to be made to the regulations to reflect changes in accounting. Any additional time needed would have to be balanced against the need to implement in a timely manner the improvement in financial reporting produced by the new standard.

46. The IASB has formal mechanisms for communicating with global bodies, such as IOSCO and the Financial Stability Board. However, other accounting standard-setters are likely to have more knowledge of the local implications of changes in financial reporting standards. The IASB relies on other accounting standard-setters to liaise with their local prudential regulators and, as they see fit, taxation authorities and other relevant bodies to ensure that those bodies are kept informed of the likely implications of potential changes to IFRS requirements.

#### ***Implementation and maintenance of IFRS***

47. Consistent application of IFRS is more likely to be enhanced when other accounting standard-setters and the IASB work together. In this respect, other accounting standard-setters help their stakeholders understand new standards through various formats and, in doing so they may identify implementation issues.
48. The general principle under which other accounting standard-setters operate in relation to emerging issues is that, whenever possible, they support the IASB, rather than deviate from IFRS or provide jurisdiction-specific local interpretations of IFRS. The IASB and other accounting standard-setters work together to minimise the necessity for local guidance. The need for local guidance will be reduced if the IASB, with the IFRS Interpretations Committee, makes its best efforts to respond to the IFRS implementation issues of local jurisdictions in a timely manner.
49. Emerging issues relating to the application of IFRSs identified by other accounting standard-setters working with their constituents are dealt with co-operatively through IFASS and/or regional bodies, as appropriate, and the IASB. Ordinarily an accounting standard-setter would seek the views of other accounting standard-setters on an emerging issue it identified (possibly as part of an IFASS meeting agenda). This may lead to the issue being drawn to the attention of the IASB or IFRS Interpretations Committee for timely resolution in the context of the Committee's process for dealing with emerging issues. Accounting standard-setters would also ordinarily liaise with their local regulators in charge of IFRS enforcement on such issues.

50. It should become evident through this process whether an emerging issue is of widespread interest or of importance to only a few jurisdictions. This will assist in identifying those other accounting standard-setters that are best-placed to provide any information or research assistance to the IASB or IFRS Interpretations Committee for timely resolution of the issue.
51. Given the underlying economics, few emerging issues would be unique to a jurisdiction. In some cases, particular circumstances prevailing in a jurisdiction, including the environment in which transactions take place, may validly lead to different financial reporting outcomes for apparently similar transactions. Accordingly, an other accounting standard-setter would refrain from producing its own interpretations of IFRSs, except when:
- (a) an other accounting standard-setter concludes, after having undertaken supporting research and following the process described above, that an issue is jurisdiction-specific by virtue of the circumstances prevailing in that particular jurisdiction; or
  - (b) an interim solution is needed in a particular jurisdiction because the process described above does not result in a timely outcome.
52. If an other accounting standard-setter ultimately decides to issue an interpretation, it should seek to obtain a reasonable level of confidence that it is not misrepresenting IFRS or causing problems for others. One means of assisting in this is to circulate the proposed interpretation to other IFASS participants.