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15 September 2009

The Honourable Barack Obama  
The President of the United States  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Mr President

On behalf of the Trustees of the IASC Foundation, the oversight body of the International Accounting Standards Board (IASB), I am writing to you as the host of the upcoming meeting of leaders of G20 countries on 24-25 September in Pittsburgh. We respectfully request that the meeting secretariat circulates this letter to other meeting participants.

The purpose of this letter is to inform the leaders of G20 countries of the progress that the IASC Foundation and the IASB have made in response to the G20's recommendations on accounting standards agreed at the Leaders Summits in Washington in November 2008 and in London in April 2009.

In preparation for the upcoming Pittsburgh Leaders Summit, the G20 finance ministers recently called for:

Convergence towards a single set of high-quality, global, independent accounting standards on financial instruments, loan-loss provisioning, off-balance sheet exposures and the impairment and valuation of financial assets. Within the framework of the independent accounting standard setting process, the IASB is encouraged to take account of the Basel Committee guiding principles on IAS 39 and the report of the Financial Crisis Advisory Group; and its constitutional review should improve the involvement of stakeholders, including prudential regulators and the emerging markets.

The IASC Foundation and the IASB support these objectives and are committed to achieving them. The attached progress report (Appendix A) describes the substantial progress already made. The IASB, which is responsible for International Financial Reporting Standards (IFRSs) used in over 100 countries and growing, is working with the US Financial Accounting Standards Board (FASB) to reach convergence between IFRSs and US generally accepted accounting principles (GAAP). This would help achieve the goal of one global standard.

The Trustees support the IASB's deepening of its engagement with its stakeholders and its taking account of the Basel Committee guiding principles and the report of the Financial Crisis Advisory Group (FCAG). We are pleased that, while recognising the IASB's commitment to investors as the primary users of financial information, the IASB, amongst other actions, has already established an enhanced technical dialogue with prudential supervisors, market regulators and other stakeholders. This dialogue will ensure their deeper input in the development of new standards. The first meeting of this enhanced technical dialogue occurred on 27 August in

London. The IASB is also meeting regularly with the Basel Committee and is a member of the Financial Stability Board, where financial reporting issues are regularly discussed.

At our July meeting, the Trustees stressed the urgency in completing the first component of the comprehensive revision of IAS 39, the IASB's financial instrument standard, by year end. The work underway is consistent with the elements identified by the G20 finance ministers at their pre-Pittsburgh meeting.

The proposals to revise IAS 39 on which the IASB is now consulting globally provide a significant reduction in the complexity of financial instrument accounting—a goal highlighted at the April 2009 G20 Leaders Summit in London. The proposals are also consistent with the view of many stakeholders, including the Basel Committee, that cost-based accounting is appropriate for some categories of financial instruments. In making their proposals and in order to provide transparency and reflect economic reality, the IASB's emphasis has been to define in a balanced and transparent way the appropriate criteria for classifying instruments to be measured at cost and fair value—not to increase or decrease arbitrarily the use of fair value. Whether there is a decrease or an increase of fair value will depend on a particular institution's business model and holdings. The IASB is not proposing that the loan book of banks will be held at fair value.

Complementing the review of fair value accounting for financial instruments, the IASB is improving the accounting for loan-loss provisions, another area cited by the G20. The IASB is working closely with prudential supervisors, financial institutions, investors, and other stakeholders specifically to develop more forward-looking measures (an expected loss model rather than the incurred loss model currently in place in IFRS and US GAAP). The IASB has already issued a discussion document on provisions and will release a final proposal in the fourth quarter.

Finally, regarding governance issues, the changes proposed in the first part of the five-yearly Constitution Review are already in place. They include, importantly, the creation of a public accountability link to a Monitoring Board comprising public capital market authorities.

On 9 September 2009, the Trustees published their proposals for the second part of the Constitution Review. These proposals seek to enhance further the governance and public accountability of the organisation. They also propose to improve the involvement of stakeholders with a broad range of perspectives in both developed and emerging markets. In addition to the formal written comment process on these proposals, the Trustees are now consulting stakeholders throughout the world through a series of public round table meetings in London, New York, and Tokyo.

In summary, the Trustees and the IASB are committed to taking all of the actions necessary within their sphere of responsibility to deal with the issues arising from the financial crisis. The report in this letter and the attached appendix will, we trust, indicate the strength of our commitment to consult with our stakeholders and to act promptly.

Sincerely,



Gerrit Zalm  
Chairman of the Trustees

## Appendix A: Report on IASC Foundation/IASB’s Response to the Financial Crisis

A comprehensive overview of measures undertaken by the IASC Foundation and the IASB in response to the conclusions reached by the G20 at their summit in London, UK on 2 April 2009.

RECOMMENDATION	ACTIONS COMPLETED/UNDER WAY	NEXT STEPS
<p>Accounting standard-setters should improve standards for the valuation of financial instruments based on their liquidity and investors’ holding horizons, while reaffirming the framework of fair value accounting.</p>	<ol style="list-style-type: none"> <li>1. October 2008: the IASB issues the report of its expert advisory panel on fair value measurement when markets are no longer active together with a staff summary of that report.</li> <li>2. October 2008: the IASB permits the reclassification of specific financial instruments in some instances.</li> <li>3. March 2009: the IASB publishes a request for views on proposals from the US Financial Accounting Standards Board (FASB) that deal with guidance on fair value measurement.</li> <li>4. May 2009: the IASB publishes for public comment an exposure draft of a standard on fair value measurement, incorporating the findings of the expert advisory panel as well as the guidance issued by the FASB, thus bringing IFRSs and US GAAP into alignment. The comment period closes on 28 September 2009.</li> <li>5. June 2009: the IASB publishes a staff paper on the practice of fair valuing an entity’s own debt, identified as one of the major issues in fair value accounting. The comment period closed on 1 September.</li> </ol>	<ol style="list-style-type: none"> <li>1. A final standard on Fair Value Measurement is expected to be published in the first half of 2010.</li> <li>2. The conclusions of the Financial Crisis Advisory Group (FCAG) report will inform the IASB and FASB in their deliberations.</li> </ol>

	<p>Responses will inform the Board in its work to replace IAS 39 <i>Financial Instruments</i>.</p> <p>6. July 2009: the Financial Crisis Advisory Group (FCAG) publishes its report, highlighting the limitations of financial reporting and encouraging entities to undertake effective price verification processes and to improve valuation methods.</p>	
<p>The standard-setters should reduce the complexity of accounting standards for financial instruments.</p>	<p>1. March 2008: the IASB and the FASB published a discussion paper for a replacement of IAS 39 <i>Reducing Complexity in Reporting Financial Instruments</i>.</p> <p>2. March 2009: the IASB and the FASB agree to undertake, on an accelerated basis, the replacement of existing financial instruments standards (IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, in the case of the IASB) with a common and globally accepted standard that would address issues arising from the financial crisis in a comprehensive manner.</p> <p>3. July 2009: the IASB publishes proposals on <i>Financial Instruments: Classification and Measurement</i> - the first part of a three-part project to replace IAS 39. The comment period closes on 14 September 2009 with a final standard published in time for 2009 year-end financial statements.</p>	<p>1. September 2009: the IASB and the FASB will hold joint round-table discussions in Europe, the United States and Asia on their proposals for financial instruments.</p> <p>2. Q4 2009: the IASB will publish a final standard on the classification and measurement of financial instruments in time for 2009 year-end financial statements.</p> <p>3. October 2009: the IASB will publish proposals on the impairment of financial instruments, including consideration of an expected loss model, informed by responses to the Request for Information on this model published in June 2009.</p> <p>4. December 2009: the IASB will publish proposals on hedge accounting, representing the third and final part of the project to replace IAS 39.</p>

<p>Standard-setters should strengthen accounting recognition of loan-loss provisions by incorporating a broader range of credit information.</p>	<ol style="list-style-type: none"> <li>1. The IASB and the Basel Committee on Banking Supervision are meeting on a regular basis to discuss the issue of loan-loss provisions. The FASB has been invited to join these discussions.</li> <li>2. June 2009: the IASB publishes a request for information on the feasibility of an expected loss model for the impairment of financial instruments, with a comment period concluding on 1 September 2009.</li> <li>3. July 2009: the FCAG recommends that the IASB and the FASB explore alternatives to the current, incurred loss model for loan-loss provisioning that use more forward-looking information.</li> </ol>	<ol style="list-style-type: none"> <li>1. October 2009: as stated above, the IASB will publish proposals on the impairment of financial instruments, including consideration of an expected loss model, informed by responses to the request for information on this model published in June 2009, as well as by input from the FCAG and discussions with banking supervisors.</li> </ol>
<p>Standard-setters should improve accounting standards for provisioning, off-balance sheet exposures and valuation uncertainty.</p>	<ol style="list-style-type: none"> <li>1. As noted above, the IASB is taking a number of steps on provisioning.</li> <li>2. The IASB is also undertaking a comprehensive review of off-balance-sheet financing:             <ul style="list-style-type: none"> <li>- December 2008: the IASB publishes proposals for strengthening and improving the requirements for identifying which entities a company controls (consolidation).</li> <li>- March 2009: the IASB publishes proposals to improve the derecognition requirements for financial instruments.</li> <li>- June 2009: the IASB and the FASB hold joint</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Q4 2009: the IASB anticipates publication of a final standard on consolidation.</li> <li>2. H2 2010: the IASB anticipates publication of a final standard on derecognition, concluding the comprehensive review of off-balance-sheet activity.</li> <li>3. A final standard on Fair Value Measurement is expected to be published in the first half of 2010.</li> </ol>

	<p>round-table meetings in Europe, the United States and Asia on consolidation and derecognition.</p> <p>3. As noted above, the IASB has published an exposure draft on fair value measurement.</p>	
<p>Standard-setters should make significant progress towards a single set of high quality global accounting standards.</p>	<p>1. High-quality, global accounting standards are the organisation’s primary objective, as stated in its Constitution.</p> <p>2. 2008: the IASB and FASB update their Memorandum of Understanding. The objective: achieving convergence of IFRSs and US GAAP by 2011.</p> <p>3. The IASB works with national standard-setters internationally to promote adoption of IFRSs.</p>	<p>1. The organisation will continue to promote full adoption of IFRSs. The IASB and FASB will work as a matter of priority on projects related to the Memorandum of Understanding and will seek to avoid any unnecessary divergences in the interim period.</p> <p>2. The IASB plans to finish many of its major projects by 2011 to provide an orderly transition for several countries intending to adopt IFRS around that time.</p>
<p>The IASC Foundation, within the framework of the independent accounting standard-setting process, should improve involvement of stakeholders, including prudential regulators and emerging markets, through the IASB’s constitutional review.</p>	<p>1. Following the completion of the five-yearly Constitution Review in 2005, the public accountability of the IASC Foundation has been enhanced through a number of measures, including:</p> <ul style="list-style-type: none"> <li>- the establishment of a formal framework to assess the effectiveness of the Trustees in carrying out their constitutional responsibilities;</li> <li>- the creation of a Due Process Oversight Committee;</li> <li>- enhancements to procedures for performance reviews of the IASB and for appointments to the IASB;</li> </ul>	<p>1. October 2009: the Trustees will hold public round-table meetings in Europe, the United States and Asia in order to enhance the consultation process on the second part of the Constitution Review.</p> <p>2. January 2010: planned ratification date of relevant constitutional amendments as a result of the second part of the Constitution Review.</p>

	<ul style="list-style-type: none"><li>- an expansion of interaction with the IASB to discuss matters related to the organisation's strategy and performance; and</li><li>- approved enhancements to the IASB's due process, including the introduction of feedback statements and effect analysis.</li></ul> <p>2. January 2009: Completion of the first part of the second five-yearly Constitution Review.</p> <p>The result:</p> <ul style="list-style-type: none"><li>- the Trustees established a formal link with capital market authorities, who have created the IASC Foundation Monitoring Board. The IOSCO Emerging Markets Committee is a member of the Monitoring Board. The Basel Committee is an observer.</li><li>- the Trustees implemented a change that will increase the size of the IASB to 16 members and sets out geographical guidelines regarding the IASB's composition. Under the new guidelines, there shall be one member each from Africa and South America.</li><li>- April and July 2009: formal meetings between the Trustees and the Monitoring Board are held in the UK and The Netherlands respectively.</li></ul> <p>January 2009: the Trustees restructure the Standards Advisory Council, the IASB's main advisory body, to enhance its effectiveness and to support wider outreach to analyst and investor groups.</p>	
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	<p>The council is reconstituted to comprise representatives of stakeholder organizations around the world. The membership includes the stakeholders recommended by the G20. They are expected to canvass the views of their respective constituent groups in preparatory meetings, present these views to the IASB. They will then report back to their colleagues on their discussions with the IASB and the conclusions reached.</p> <ol style="list-style-type: none"><li>3. December 2008: the Trustees initiate the second part of the Constitution Review by publishing a consultation document.</li><li>4. September 2009: the Trustees publish proposals aimed at enhanced public accountability, increased stakeholder involvement, and other Constitutional improvements.</li><li>5. September and October 2009: the Trustees hold public round tables in London, New York and Tokyo on Constitutional proposals.</li></ol>	
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## **Appendix B—Trustees of the IASC Foundation**

### **Gerrit Zalm, Chairman**

Former Deputy Prime Minister and Finance Minister, The Netherlands (The Netherlands)

### **Philip A Laskawy, Vice Chairman**

Chairman, Fannie Mae; Retired Chairman, Ernst & Young International (United States)

### **Clemens Börsig**

Chairman of the Supervisory Board, Deutsche Bank AG (Germany)

### **Marvin Cheung**

Retired Chairman of KPMG Hong Kong SAR (People's Republic of China)

### **Bertrand Collomb**

Chairman Emeritus, Lafarge; Chairman, Association Française des Entreprises Privées (France)

### **Samuel A DiPiazza, Jr**

Former CEO, PricewaterhouseCoopers (United States)

### **Scott Evans**

Executive Vice President, Asset Management and Chief Executive Officer of the TIAA-CREF Investment Management LLC (United States)

### **Oscar Fanjul**

Vice Chairman, Omega Capital; former Chairman, Founder and CEO, Repsol, SA (Spain)

### **Tsuguoki (Aki) Fujinuma**

Immediate Past Chairman and President, Japanese Institute of Certified Public Accountants (Japan)

### **Robert Glauber**

Retired Chairman and CEO, NASD (the private sector regulator of the US securities market); former Under Secretary of the Treasury for Finance (United States)

### **Alicja Kornasiewicz**

Member of the Board, CA IB Corporate Finance GmbH, Vienna; CEO and Chairman, CA IB Group, Poland (Poland)

### **Liu Zhongli**

President, Chinese Institute of Certified Public Accountants; former Minister, Ministry of Finance (People's Republic of China)

### **Jeffrey Lucy**

Chairman, Financial Reporting Council (Australia)

**Pedro Malan**

Chairman, Unibanco; former Finance Minister of Brazil; former President, Central Bank of Brazil (Brazil)

**Sir Bryan Nicholson**

Former Chairman, Financial Reporting Council (United Kingdom)

**T. V. Mohandas Pai**

Director of Human Resources and Member of the Board, Infosys Technologies Limited; Chairman, Infosys BPO Limited (India)

**David Sidwell**

Former Chief Financial Officer, Morgan Stanley; Director, MSCI Inc.; Director, UBS (United States)

**Paul Tellier**

Former President and CEO, Bombardier and CN; former Clerk of the Privy Council and Secretary of the Cabinet (Canada)

**Jeff van Rooyen**

Chief Executive, Uranus Investment Holdings; former Vice Chairman, Executive Committee, International Organization of Securities Commissions (IOSCO); former CEO, South African Financial Services Board (South Africa)

**Noriaki Shimazaki**

Executive Vice President, Sumitomo Corporation (Japan)

**Luigi Spaventa**

Former Chairman, Commissione nazionale per le società e la borsa (Consob); former Minister of the Budget (Italy)

**Antonio Vegezzi**

Former President and Director, Capital International (Switzerland)