The legitimacy of International Financial Reporting Standards (IFRS): An assessment of the due process of standard-setting

By

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Dedication

This work is dedicated to my wife, Diana, and my children Tatenda, Tapiwa, Tanatswa and Tinodiwa. Thank you all for tolerating my weekends in the library and long nights in the study.

Always remember:

"*A love affair with knowledge will never end in heartbreak" – Michael Garret Marino.*

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Glory be to the Lord for the mercy to survive and see this effort through. With God, anything is possible – Matthew 27:57.

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Summary

International Financial Reporting Standards (IFRS) are required or permitted for use in over 100 countries across the world. IFRS are developed by the International Accounting Standards Board (IASB). The IASB, with no formal or legal mandate, is performing a task normally reserved for national standard-setters. This study sought to establish the legitimacy of IFRS by assessing the due process of the IASB. The study established that countries have different motivations for choosing IFRS which raises legitimacy concerns. The global financial crisis compounded the legitimacy challenges of IFRS by exposing due process vulnerabilities. The study established that the IFRS governance structures are dominated by powerful stakeholders especially members of the G-20. Although the due process procedures provide opportunities for participation, actual participation is still dominated by constituents from Europe. Africa and South America still account for very low proportions of governance seats and participants in standard-setting projects.

Keywords

Legitimacy, due process, IASB, financial instruments, IFRS 9, IFRS 13, IAS 39, governance, participation, standard-setting.

Acronyms

ACCA	Association of Chartered Certified Accountants
ADB	Asian Development Bank
AfDB	African Development Bank
AIG	American International Group
AOSSG	Asian-Oceanian Standard Setters Group
BCBS	Basel Committee on Banking Supervision
BEE	Black economic empowerment
BIS	Bank for International Settlements
CD	Consultation document
CDO	Collateralised debt obligations
CDS	Credit default swaps
CIG	Coalition and influence group
DPOC	Due Process Oversight Committee
EC	European Commission
ECB	European Central Bank
EEG	Emerging Economies Group
EFRAG	European Financial Reporting Advisory Group
ETDG	Economic theory of democracy group
EU	European Union
FASB	Financial Accounting Standards Board
FCAG	Financial Crisis Advisory Group
FDI	Foreign direct investment
FSB	Financial Stability Board
FSF	Financial Stability Forum
G-20	The Group of Twenty

GAAP	Generally accepted accounting practice
GDP	Gross domestic product
GLASS	Group of Latin American Standard-setters
IADB	Inter-American Development Bank
IAS	International accounting standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IASCF	International Accounting Standards Committee Foundation
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International financial reporting standards
IFRSF	IFRS Foundation
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISA	International standards on auditing
JFSA	Japan Financial Services Authority
PAFA	Pan African Federation of Accountants
PATG	Positive accounting theory group
RMBS	Residential mortgage-backed securities
RQ	Research question
SEC	Securities and Exchange Commission of the US
SFAS	Statements of financial accounting standards
SIC	IASC Standing Interpretations Committee
SIV	Structured investment vehicle
SMEIG	Small and Medium Enterprises Implementation Group
TAAG	Trustees Appointments Advisory Group

UK	United Kingdom
US	United States of America

Declaration

Student number 46039945

I, Bright Amisi, declare that The Legitimacy of International Financial Reporting Standards (IFRS): An assessment of due process of standard-setting, is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

B Amisi 24 May 2013

1 INTRODUCTION

1.1 Background information

Sir David Tweedie, then chairman of the International Accounting Standards Board (IASB), wrote in the 2010 IFRS Foundation annual report that "... the IASB is in effect setting financial reporting law for more than 100 countries" (IFRSF, 2011a:22). What he was referring to as financial reporting "law" is actually International Financial Reporting Standards (IFRS), developed by the IASB and accepted in over 100 countries (FCAG, 2009).

Laws are normally set at national level by elected representatives while national accounting standards are the responsibility of national standard-setters mandated through legislation (Pacter, 2005). In contrast, IFRS are set by a London-based organisation whose parent is a private company incorporated in the US (Perry & Nolke, 2006). Unlike national standard-setters, the activities of the IASB are not mandated by any national law (Black, 2008).

The IASB's lack of a formal mandate is what leads Perry and Nolke (2006) to question the wisdom of placing a traditionally public and national function into the hands of a private entity with multiple principals. They argue that because accounting affects everyone in society, the development of accounting standards should be scrutinised. The IASB's lack of a formal mandate (Black, 2008) and the potential displacement of national accounting standards by IFRS (Kerwer, 2005) give rise to legitimacy challenges.

In this study, the legitimacy of the financial reporting "law" that is IFRS is explored. It is posited that the legitimacy of IFRS depends on two factors: 1) the due process through which accounting standards are developed (Richardson & Eberlein, 2011) and 2) the role of accounting in society (Perry & Nolke, 2006). This study only focuses on due process defined as the structures and processes through which IFRS are developed (IFSRF, 2012c). The next section provides a brief history of IFRS to set the context.

1.1.1 The history of IFRS

The global expansion of multinational companies (Barbu & Baker, 2010), the growth in international trade (Zimmermann, Werner & Volmer, 2008) and increasing cross-border investments (Martinez-Diaz, 2005) are some of the factors that precipitated the need to harmonise accounting standards. Diverse national accounting standards impede comparability as they limit transparency of financial information (Nolke, 2005). Harmonised accounting standards enable comparability of financial information across borders (Camfferman & Zeff, 2006).

Foreign direct investment (FDI) and cross-border investment decisions depend on comparable financial information (Benston, Bromwich, Litan & Wagenhofer, 2006). Increased FDI and the availability of capital are enablers of economic growth, a major concern of elected governments. Financial information in this context refers to financial statements comprising the income statement, statement of comprehensive income, statement of financial position, statement of movements in equity and reserves, and the cash flow statement.

The need for comparable financial information led to the establishment of the International Accounting Standards Committee (IASC) in 1973 (Camfferman & Zeff, 2006). The IASC succeeded in publishing International Accounting Standards (IAS) but they remained relatively inconsequential for close to three decades, relegated to being substitutes for developing countries that had no technical and/or financial resources to develop their own (Pacter, 2005). Developed countries shunned IAS and continued to develop their own national accounting standards (Camfferman & Zeff, 2006).

The profile and credibility of IAS was boosted in May 2000 when the International Organization of Securities Commissions (IOSCO) endorsed a set of 30 IASs as acceptable for cross-border listing (Camfferman & Zeff, 2006; Martinez-Diaz, 2005). IOSCO is a body representing stock exchange regulators around the world. In the same year, the European Commission (EC) announced that all companies listed within the European Union (EU) were to apply IAS when preparing their consolidated financial statements starting in 2005 (Camfferman & Zeff, 2006).

In 2001, the IASC was restructured into the IASB and IAS were renamed IFRS (Pacter, 2005). While the IASC had 143 representatives from around the world, the IASB was set up with only 14 experts chosen on the basis of their "technical competence" (Richardson & Eberlein, 2011:226). The objective of the IASB also changed from developing reference material to developing, in the public interest, a single set of enforceable and globally accepted financial reporting standards (IFRSF, 2010b).

The US remained one of the major capital markets not endorsing IFRS although the US standard-setter, the Financial Accounting Standards Board (FASB), signed an agreement with the IASB in 2002 committing to narrow differences between their standards (FCAG, 2009). Following progress with the convergence projects, the US Securities and Exchange Commission (SEC) exempted foreign firms listed on US stock exchanges from issuing reconciliation to US generally accepted accounting practice (GAAP) if they were using IFRS as issued by the IASB.

The endorsement by IOSCO, the EC adoption of IFRS and the removal of the reconciliation requirement by the SEC spurred the adoption of and/or convergence with IFRS around the world (Eaton, 2005; IFRSF, 2011b; Zeghal & Mhedhbi, 2006). In South Africa, IFRS became mandatory for all listed companies in 2005 (Edwards, Schelluch, Du Plessis, Struweg & West, 2006). Over 100 other countries have either adopted IFRS as their accounting standards or converged their national GAAP with IFRS (FCAG, 2009; IFRSF, 2011a). Convergence in this context means eliminating differences but not adopting IFRS without amendments. Hans Hoogervorst, the current IASB Chair, is of the view that convergence "… is less effective when trying to achieve an identical outcome" (IFRSF, 2012a:23).

IFRS came under heavy criticism in 2007 when the global financial markets experienced a liquidity crisis originating in the US housing market (FCAG, 2009). The global financial crisis, as it is commonly known, resulted in governments and other critics of IFRS applying pressure on the IASB to improve its governance arrangements and amend fair value requirements in *IAS 39 Financial Instruments: Recognition and Measurement*. In October 2008, the IASB and

FASB set up the Financial Crisis Advisory Group (FCAG, 2009) to advise on the standard-setting implications of the crisis.

1.1.2 Standard-setting implications of the global financial crisis

The FCAG (2009) expressed concern that the IASB due process had become vulnerable to undue interference citing the success of the EC in forcing the IASB to waive due process and effect an amendment to IAS 39 that limited the use of fair values. The FCAG (2009) argued that such interference threatened the legitimacy of IFRS by tempting individual countries to introduce unilateral amendments. The advisory group recommended that representation on governance structures be geographically broadened. The recommendation resonates with Eaton's (2005) argument that a crisis, such as the global financial crisis, challenges the status quo and serves as a stimulus for change.

In response to the recommendations of FCAG (2009), the Monitoring Board of the IFRS Foundation was established in 2009 and the IASB membership was expanded from 14 to 16 (IFRSF, 2012a). Three regional standard-setting bodies, the Asian-Oceanian Accounting Standard Setters Group (AOSSG), the Pan African Federation of Accountants (PAFA) and the Group of Latin American Standard-setters (GLASS), were also established after the onset of the crisis (AOSSG, 2011; GLASS, 2012; IASB, 2012). The IASB embarked on a project to replace IAS 39 through the development of *IFRS 9 Financial Instruments* and *IFRS 13 Fair Value Measurement* (IASCF, 2009a).

The expansion of governance structures and the establishment of regional standard-setting bodies suggest that there is heightened interest in IFRS due process. The criticism directed at IFRS and their perceived role in the financial crisis brought the legitimacy of IFRS into question.

1.1.3 Conceptualising legitimacy

Weber (1978) defines legitimacy as the obedience of a command induced only by its content. Franck (1988) defines it as the property of a rule that exerts voluntary compliance because of a perception that the rule has been set through a valid due process. A valid due process was defined as one that is capable of producing outcomes that are acceptable to all participants, even when the outcomes differ from their preferences (Habermas, 1990). It is a process that brings a fair balance of interests and provides for equal rights to participation.

Suchman (1995:574) defines legitimacy as a “generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions”. This definition of legitimacy hints at the difficulties likely to be encountered when managing legitimacy at transnational level. The word “transnational” is used throughout this study according to the definition of Zimmermann, *et al* (2008:19): “a combination of privatisation and internationalisation”.

Specific to accounting standards, the International Federation of Accountants (IFAC), believes that legitimacy is achieved when due process gives the standards the level of authority necessary to generate confidence (IFAC, 2011). IFAC is the global standard-setter of International Standards on Auditing (ISA). The definition of legitimacy by IFAC (2011) implies that the legitimacy of standards can be inferred from assessing the structure of the standard-setter and its due process procedures. Due process in this context is the means through which discipline is maintained over the exercise of power (Richardson & Eberlein, 2011). An assessment of the due process of the IASB therefore provides a framework for deducing the legitimacy of IFRS.

1.2 Problem statement

The main problem to be investigated in this study is the legitimacy of the financial reporting “law” developed by the IASB. The due process through which the “law” is brought about affects its legitimacy (Habermas, 1973). The same goes for the role of accounting in society (Perry & Nolke, 2006). The IASB has a technocratic structure (Richardson & Eberlein, 2011) that concentrates standard-setting decision-making in the hands of a small group of board members.

The global financial crisis resulted in a new layer of accountability, the Monitoring Board and an expansion of the IASB membership to 16 (IFRSF, 2012a). The 16 IASB board members are writing financial reporting “law” for more than 100 countries without being mandated by the citizenry of those countries. The legitimacy of this “law” is potentially contested if the IASB due process is not valid.

The validity of due process can be evaluated according the conditions of practical discourse set by Habermas (1973).

This study assesses the extent to which the standard-setting due process of the IASB gives IFRS the level of authority necessary to generate confidence. In order to address the legitimacy concerns highlighted in the main problem, the study investigates the following sub-problems:

- The definition of legitimacy.
- The motivations for states to require or permit the use of IFRS.
- The legitimacy challenges of IFRS as global accounting standards.
- Conditions under which IFRS can be considered legitimate.
- The impact of the global financial crisis on the legitimacy of IFRS.
- Representation and participation of affected parties in the due process of the IASB.
- Participation of affected parties in the development of IFRS 9 *Financial Instruments* and IFRS 13 *Fair Value Measurement.*

The IASB (IFRSF, 2011a) divides the world into five regions: Africa, Asia/Oceania, Europe, North America and South America. This study uses the same regional classification but pays particular attention to the perspective of the African region.

1.3 Objectives of the study

The objective of this study is to assess the legitimacy of IFRS by evaluating the IASB's standard-setting due process. To be considered legitimate, IFRS must reflect the interests of all affected parties instead of the particular interests of a specific region (Habermas, 1973).

The IFRS standard-setting due process is assessed for representativeness and the extent to which affected parties participate in decision-making structures. The assessment also includes the availability of equal opportunities for affected parties to participate and influence the development of IFRS.

The study builds on recent work by Richardson and Eberlein (2011) on the legitimacy of transnational standards. While their work shed light on the legitimation efforts of the IASB, it was more a comparison of IASB due process to US and UK practices. Its narrow focus on two countries limits its usefulness in assessing the legitimacy of IFRS given that more than 100 countries require or permit the use of IFRS. The US and UK are both developed countries, so the study lacks a developing country's perspective.

Wallace (1990) attempted to raise the concerns of developing countries but the study was conducted more than a decade before the establishment of the IASB. Since then, the standard-setting landscape has changed with the global adoption of IFRS and the global financial crisis. The work of Edwards, *et al* (2006), Lasmin (2011) and Zeghal and Mhedhbi (2006) only deals with the motivations and challenges of adopting IFRS but apparently shies away from addressing the issue of legitimacy.

1.4 The importance of the study

This study is important as it could:

- Highlight the legitimacy challenges of IFRS especially from the perspective of the African region;
- Offer insight into possible legitimation strategies employed by the IASB;
- Highlight opportunities for participation in IFRS standard-setting due process;
- Reveal information about the influences on the direction of IASB; and
- Recommend possible ways of improving IASB due process.

1.5 Scope of the study

This study is about the assessment of the IASB's standard-setting due process in order to establish the legitimacy of IFRS. The IASB decision-making due process is critiqued in order to improve the understanding of the IFRS development process. It is a study of the application of legitimacy in due process.

1.5.1 Standard-setting due process

The focus of this study is on the legitimacy of IFRS, influenced by the standard-setting structures and processes of the IASB. Suchman (1995) argues that structures and processes serve as easily monitored proxies for less visible legitimacy evaluation targets. Even IFAC (2011) identifies structures and processes as key to the legitimacy of standards. The study of decision-making structures and processes is concentrated on changes effected from 2008 onwards particularly the introduction of the Monitoring Board and the expansion of membership on IFRS governance structures.

1.5.2 Global financial crisis

The discussion of the global financial crisis is intended to set the context for the development of *IFRS 9 Financial Instruments* and *IFRS 13 Fair Value Measurement*. Both standards address the accounting requirements for financial instruments, an issue that attracted much debate in the on-going global financial crisis (IASB, 2008a).

IFRS 9 replaces IAS 39 which Camfferman and Zeff (2006) describe as one of the most controversial and most revised standards. The EC used its endorsement process to exclude the provisions for full fair value option and portfolio hedging of core deposits in IAS 39 from being applied within the EU (Alexander & Eberhartinger, 2010). It has not endorsed IFRS 9 for use within the EU (EFRAG, 2012). Both IAS 39 and IFRS 9 were published as interim standards because of disagreement over how to measure financial instruments. Hoogervorst (2012:1) attributes such disagreement to the “inescapable judgement and subjectivity of accounting methods”.

1.5.3 Participation in standard-setting projects

The study of participation is limited to IFRS 9 *Financial Instruments* and IFRS 13 *Fair Value Measurement.* The IASB uses various consultation methods including publishing discussion papers and exposure drafts for public comment, conducting field tests, public hearings and hosting round tables. Analysis of participation is limited to comment letters submitted following the publication of consultation documents. Comment letters are ideal as they are publicly available. The IASB refused a request to make available data on other forms of participation such as round tables, public hearings and field tests.

1.6 Research methodology

The research methodology is divided into literature review and the analysis of participation in the development of *IFRS 9 Financial Instruments* and *IFRS 13 Fair Value Measurement*. All the research questions are answered through literature review except for the participation of affected parties in the selected projects as explained in 1.6.1 and 1.6.2 below.

1.6.1 Literature review

The literature review in chapter two discusses the theoretical framework starting with the conceptualisation of legitimacy, identifying the major authors and evaluating their contributions. The review discusses the motivations for adopting of IFRS in Africa, Asia-Oceania, Europe, North America and South America. The challenges and sources of legitimacy are critically evaluated including their suitability to IFRS standard-setting.

Chapter three analyses the legitimacy implications of the global financial crisis. The causes and impact of the crisis combined with the fair value debate that ensued is likely to affect the perception of IFRS.

Chapter four discusses the due process of the IFRS standard-setting. Due process is assessed on the extent of representation on decision-making structures, due process procedures and the control of standard-setting resources.

1.6.2 Participation in standard-setting projects

The review of participation analyses general participation levels, geographical balance of participants with a particular focus on countries that have adopted IFRS and the participation of different interest groups. The analysis is limited to the IFRS 9 and IFRS 13 because they address the accounting requirements for financial instruments, a thorny issue in the context of the global financial crisis.

1.7 Chapter layout

Chapter two outlines the theory of legitimacy, discusses the globalisation of IFRS, evaluates the legitimacy challenges of IFRS and recommends possible legitimation strategies.

Chapter three briefly analyses the causes and impact of the global financial crisis, the fair value debate and the IASB’s response to the crisis. The discussion of the IASB’s response focuses on the work of the FCAG and the project to replace IAS 39.

The fourth chapter applies the theoretical framework developed in chapter two and three to critique the due process of IFRS standard-setting. The critique focuses on due process procedures, decision-making structures and standard-setting resources.

The fifth chapter explains the research methodology and expands on how the development of IFRS 9 and IFRS 13 are analysed including any limitations. The findings on the development of IFRS 9 and IFRS 13 are discussed in chapter six.

The last chapter summarises the key points. It also makes recommendations, where necessary, for improvements to strengthen the legitimacy of IFRS. The chapter also contains suggestions for future research work.

2 LITERATURE REVIEW

2.1 Introduction

In this chapter, the literature on legitimacy is reviewed and split into four parts. In the first part, the theory of legitimacy as championed by Weber (1978) and Habermas (1973) is explored. Both writers have influenced the literature on legitimacy in a broad range of fields including political science, social science, sociology, philosophy, law and international relations. The core of their theories is reviewed to contextualise legitimacy. A detailed critique of their works is impossible in a study of this nature given their deep and wide influence on the literature.

In the second part of this chapter, the motivations behind the global adoption of IFRS are discussed. Emphasis is placed on the impact of the endorsement by IOSCO and the developments within the IASB regions of Africa, Asia/Oceania, Europe, North America and South America.

The third part of the literature review exposes the legitimacy challenges of IFRS through an analysis of the work of Black (2008), Helleiner and Porter (2010), Kerwer (2005), Perry and Nolke (2006), and Porter (2005). The internal and external origins of the legitimacy challenges of IFRS are analysed. Through the work of Zimmermann, *et al* (2008) it is demonstrated that the delegation of standard-setting responsibilities to the IASB leads to inherent legitimacy challenges. Through analysing the work of Esty (2006), it is revealed that legitimacy challenges are also exacerbated by the sensitivities of certain policy fields.

The fourth part of literature review is dedicated to the legitimation of IFRS. A combination of the moral legitimacy by Suchman (1995), the global governance toolbox developed by Esty (2006) and the procedural legitimacy of Richardson and Eberlein (2011) is proposed to form a governance arrangement embodying the theory of legitimacy according to Habermas (1973). It is argued that such a package of measures, properly and faithfully implemented, is capable of legitimating IFRS. The starting point is outlining the theoretical framework which is discussed in the next section.

2.2 Theory of legitimacy

Franck (1988:542) classifies legitimacy philosophers into three groups. The first group includes Weber (1978) and is concerned about how rules are made and how rulers that enact them are chosen. According to this group, legitimacy is about following the right procedures and decisions being made by those properly authorised or delegated to do so. In this research this view is referred to as the Weberian conception of legitimacy. The second group, dominated by Habermas, defines legitimacy in terms of both the formulation process of rules and their content. The second group is referred to as the Habermasian view. The third group consists of what Franck (1988:543) refers to as neo-Marxists, philosophers concerned about the ability of rules to promote equality, fairness, justice and freedom.

Borrowing from Franck (1988), the exponents of legitimacy are classified into two groups in this research as opposed to the three he suggested. The third group was discarded as it is argued that the equality and fairness they seek is capable of being produced by a process that meets the requirements of the first two groups. The legitimacy theories of Weber and Habermas are discussed in sections 2.2.1 and 2.2.2 respectively.

2.2.1 Weberian conception

Weber (1978) defines legitimacy as the probability that a command will be obeyed based only on its content. It was an attempt to exclude obedience strategically executed for self-interest reasons. Weber (1978) argues that obedience induced by anything other than a belief in the content of a command is compliance and would result in an unstable situation. The instability would result from a shift in interests that tend to affect simulated loyalty. Weber (1978) identifies rational, traditional or charismatic grounds for claiming legitimacy.

Weber (1963) defines rational authority as a belief in the legality of enacted rules and the right of those properly elected into positions of power to issue commands. On the other hand, traditional authority is a belief in the sanctity of age-old traditions which legitimises commands. Unlike rational authority, obedience is owed to the person in authority. Charismatic authority is different from the first two as it is derived from the heroism or exemplary character of an individual

(Weber, 1963). The personal nature of both traditional and charismatic authority renders them irrelevant for the purposes of this study. The remainder of this section is dedicated to the discussion of rational authority.

According to the Weberian conception of legitimacy, any rule established by agreement is deserving of obedience and such obedience is only owed to the rule (Weber, 1963). If this conception of legitimacy is true, one should expect to see a general observance of properly enacted rules even when there is no coercive enforcement mechanism. Unfortunately, rules are subject to interpretation which can vary considerably across time and space.

The consistency required to interpret and apply rules makes rational authority reliant on a bureaucracy to police procedures in order to achieve efficiency and stability (Weber, 1978). A bureaucracy in this context means an institution or administrative system as described by Habermas (1973). Efficiency comes from what Weber (1963) calls domination through knowledge while stability comes from strict policing of rules (Weber, 1978).

Weber (1978) claims that the bureaucracy's role of generating knowledge and policing rules place its control in the hands of powerful interests that provide technical skills and funding. The bureaucracy becomes entrenched due to years of experience and specialised training to the extent that wrestling control is almost impossible. The battle for control of the bureaucracy is fertile ground for instability with the potential for legitimacy deficit. Habermas (1973) suggests separating the administrative system, which is the bureaucracy, from the process of discursive legitimation of outcomes, which is the due process.

Steffek (2003) draws parallels between the bureaucracies alluded to by Weber (1978) and transnational institutions. If correct, then the Monitoring Board, the IFRS Foundation and the IASB can be viewed as bureaucracies exposed to the same battle for control.

Despite its classical status in the study of legitimacy, Weber's conception is repeatedly criticised for confusing legitimacy with a submission to authority (Grafstein 1981). Steffek (2003:253) also repeats the same criticism, describing the Weberian conception as a "downgrading" of legitimacy. To the extent that the criticism holds, it would seem that Weber confused compliance with legitimacy.

The harshest criticism of Weber is from Habermas (1973) who singles out the failure to make a distinction between legality and legitimacy. Habermas (1973) derides rational authority as being legally formed and procedurally regulated with potential to generate an unstable belief in legitimacy. The instability would come from reducing legitimacy to a belief in legality and the unavoidable failure of the administrative system to consistently enforce procedures because of class struggles (Habermas, 1973). If legitimacy is about legality, this study is not necessary as legality is currently not possible at the transnational level.

The focus of the next section is on the work of Habermas. The major difference between the views of Weber and Habermas on legitimacy is the free expression of the individual's interests (Salam, 2003). It is therefore important to discuss legitimacy according to the Habermasian view.

2.2.2 The Habermasian view

The point of departure for Habermas (1973) from the work of Weber is that all validity claims have a relation to the truth which can be discursively established. Building on Weber's conception of legitimacy, Habermas (1973) argues that legitimacy can be secured through engaging in a practical discourse. Affected parties, as free and equal, must participate in a practical discourse to reach a rationally motivated agreement about norms. Under this approach, legitimacy is acquired through the way in which consensus is reached with the understanding that any such consensus is subject to revision when new facts emerge (Habermas, 1973).

The Habermasian view is anchored in the argument that all affected parties can accept the consequences of the consensus they reach on the satisfaction of everyone's interests (Habermas, 1990:65). The inclusion of all affected is to ensure that the interests of all are considered when consensus is reached. The interests of all are articulated through explanations and justifications required in a practical discourse to test the validity of claims (Habermas, 1973).

In order to legitimate its outcomes, practical discourse must meet certain conditions in both procedural and substantive terms. Habermas (1973) suggests a discourse underpinned by the non-exclusion of those who can contribute; equal opportunities for all affected to participate; the absence of coercion other than the force of a better argument; and that the only motive of participants is the cooperative search for the truth. The assumption is that any discourse that satisfies these conditions would result in a rational outcome because all affected put forth their arguments and only the better arguments prevailed. The conditions proposed by Habermas cover both the structural design of participation procedures and the intentions of the participants.

Habermas (1990) argues that the inclusion of all affected creates the possibility of satisfying everyone's interests. It is only when the views of all affected are considered that consensus could be approved as valid. Practical discourse is presumed to be effective in preventing others from dictating what is good for everyone thereby achieving a fair balance of interests. As shall be discussed later, there are other factors that inhibit effective participation.

Apart from inclusion of all affected, participants must have equal opportunities for participation (Habermas, 1990). All participants, with capacity and willing to take part, must have equal opportunities to contribute. Equal opportunities promote fairness and should make it possible for all participants to influence outcomes. The assumption is that participants have the capacity to clearly articulate their views and interests and to provide explanations and justifications when so requested.

Explanations and justifications provide the rationale for certain viewpoints and should be the only means through which other participants must be convinced to change their positions (Habermas, 1990). Participants must be subjected only to the force of a better argument with no possibility of subtle or covert repression (Habermas, 1973). If a norm is conceived by the force of a better argument, participants should be willing to implement any outcome even when it may be against their own interests. The absence of force or coercion is intended to achieve freedom in making choices and adopting different positions in a discourse (Habermas, 1990). Participants are presumed to be rational and capable of shifting their standpoint when they are subjected to the force of a better argument.

The presumed ability of participants to shift their standpoint when under the force of a better argument assumes that their sole aim is the cooperative search for the truth (Habermas, 1973). Consensus reached under such conditions should be aligned with the interests of all participants.

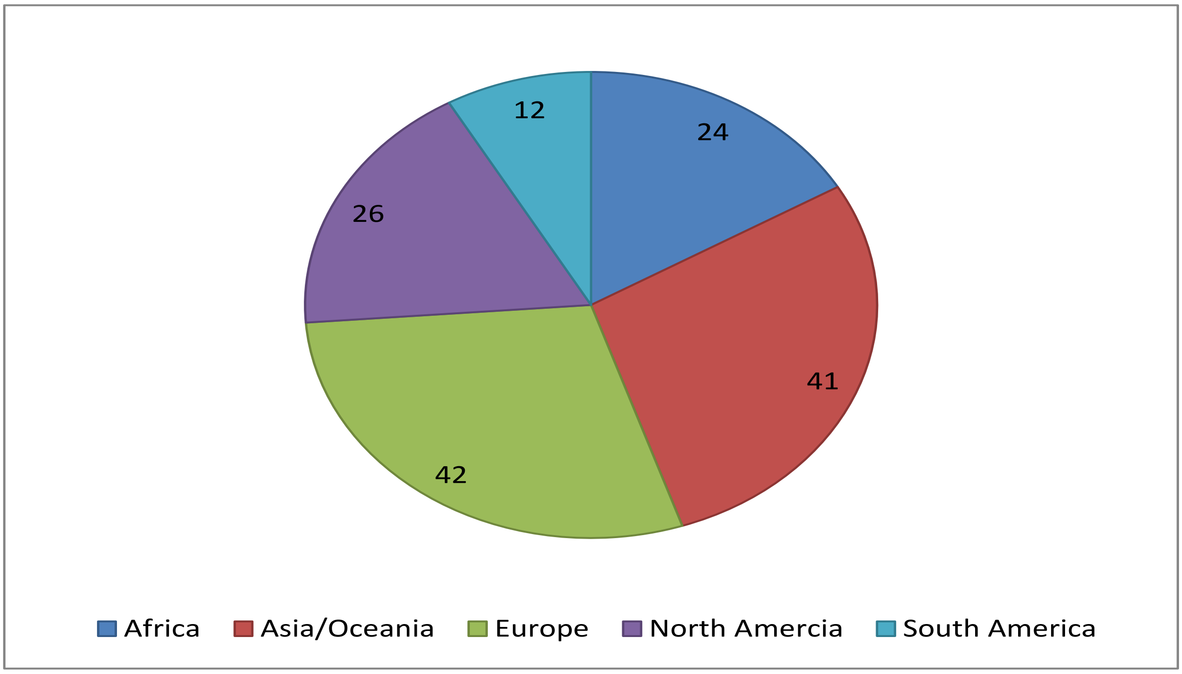
Habermas has his fair share of criticism, summarised by Cohen (1988) as the confusion regarding the object domain of discourse ethics. The question is asked: Is it a theory of morality or a theory of legitimacy? Like Cohen (1988), this study uses discourse ethics as a theory of legitimacy. Another persistent criticism of Habermas is the practicality of satisfying the exerting conditions of a practical discourse especially defining “all affected” and facilitating their participation (Froomkin, 2003:773). Dryzek and Niemeyer (2008) propose representation of all discourses rather than participation of all individuals. Representation of discourses gives rise to the problem of mandates and the ability of representatives to shift their standpoint when moved by the force of a better argument.

The practical discourse as advanced by Habermas (1973) provides an appropriate theoretical framework to assess IFRS due process as a typical practical discourse. The exerting conditions it demands may be discouraging, but they may serve as motivation for continuous improvement. Habermas’ (1973) success in decoupling legitimacy from legal validity makes it possible to apply his theory at the transnational level. In the next section, the drivers behind the global adoption of IFRS and their legitimacy implications are discussed.

2.3 The globalisation of IFRS

There are over 145 countries that permit or require the use of IFRS as shown in annexure A. The distribution per region is shown in figure 2.1 below. Of the 145 countries, 129 and 101 countries permit or require the use of IFRS by listed and unlisted companies respectively. There are 15 countries with no stock exchanges but permit or require the use of IFRS by domestic companies.

Figure 2.1 Use of IFRS by region



Source: Adapted from IASPlus (No date).

Several authors (Barbu & Barker, 2010; Camfferman & Zeff, 2006; Eaton, 2005; Edwards, *et al;* 2006; Lasmin, 2011; Martinez-Diaz, 2005; Porter, 2005; Zimmermann, *et al; 2008*) have tried to explain the worldwide acceptance of IFRS. The reasons they proffer fall into two categories: globalisation and the IASB's relationship with key stakeholders.

International trade, the global expansion of multinationals and cross-border listings are often cited as consequences of globalisation that have necessitated the need for a single set of accounting standards (Barbu & Barker, 2010; Camfferman & Zeff, 2006; Martinez-Diaz, 2005). Globalisation is used in this context to mean international integration.

Barbu and Barker (2010) analyse the role of multinationals in the diffusion of IFRS from both a preparer and external auditor perspective. Multinationals as preparers of financial statements have a need to prepare consolidated financial statements and compare the performance of subsidiaries operating in different countries. On the other hand, the dominance of the external audit market by a few multinationals has played a key role in the harmonisation of accounting standards to ensure consistent audit procedures across all their country offices.

The expansion of multinationals together with the liberalisation of capital flows and technological advancement have made cross-border listings and investments possible (Zimmermann, *et al;* 2008). Cross-border investments have resulted in integrated capital markets that depend on comparable financial information (Martinez-Diaz, 2005). The downside of integrated capital markets is the risk of contagion when a problem in one market can quickly spread across all markets as experienced during the global financial crisis (FCAG, 2009).

The Asian financial crisis of 1997 (Martinez-Diaz, 2005) and the Enron accounting scandal in the US (Eaton, 2005) are two examples of crises that are thought to have spurred the acceptance of IFRS. Martinez-Diaz (2005) argues that the International Monetary Fund (IMF) and the World Bank include the adoption of IAS by developing countries as a condition for aid. Eaton (2005) credits the Enron accounting scandal, which exposed the weaknesses of US GAAP, with paving the way for partial acceptance of IFRS in the US.

In developing countries, it's a tale of two stories. Edwards, *et al* (2006) reveal how South Africa sought to strategically position itself through implementing a raft of reforms including IFRS adoption. On the other hand, Lasmin (2011) and Zeghal and Mhedhbi (2006) prove that some developing countries are being pressured into accepting IFRS.

Apart from globalisation, the Trustees of the IFRS Foundation, the body that funds and appoints members of the IASB, argue that the acceptance of IFRS has more to do with their actions (IFRSF, 2011b). The 2011 strategy review of the Trustees concluded that the quality of IFRS, the strength of the IASB and the support of the EC and the US were key drivers behind the global adoption of IFRS. The Trustees claim that the independence and professionalism of the IASB has freed it from undue influence and enhanced the credibility of IFRS. They also argue that the endorsement by the EC made IFRS a competitive alternative to US GAAP while convergence with US GAAP improved the quality of IAS inherited from the IASC.

In the next section, the use of IFRS across the world, including the motivations for doing so, is reviewed. First, the endorsement by IOSCO is discussed as it was a key milestone in the globalisation of IFRS. The analysis is done according to the

IASB regions of Europe, North America, South America, Asia/Oceania and Africa (IFRSF, 2011a).

2.3.1 The endorsement by IOSCO

The decision by IOSCO in 2000 to endorse IAS for use when raising capital in global capital markets was a pivotal moment in the globalisation of IFRS (Camfferman & Zeff, 2006; Martinez-Diaz, 2005). The endorsement was necessitated by an increase in cross-border listings which forced IOSCO members to seek common accounting standards. The agreement was such that the IASC had to improve the quality of IAS to a level acceptable to IOSCO in exchange for endorsement. The finding of Zeghal and Mhedhbi (2006) that countries with stock exchanges were the most likely to adopt IFRS confirms the significance of the endorsement.

Martinez-Diaz (2005) believes that the endorsement by IOSCO was achieved at a high price. He claims that the agreement gave the SEC, the most powerful member of IOSCO, an opportunity to indirectly influence the IASC through threatening to withhold endorsement. Desperate for endorsement, the IASC complied through its use of US GAAP as base documents for certain IAS and the restructuring of the IASC into the IASB along SEC preferences.

IOSCO has gained significant influence over IFRS standard-setting due process as it appoints half of the IFRS Monitoring Board members (IFRSF, 2012a). The Monitoring Board appoints Trustees of the IFRS Foundation who in turn appoint IASB board members. Effectively IOSCO has influence over the development of IFRS. The endorsement of IAS by IOSCO was followed a month later, June 2000, by the EC decision to adopt IFRS (Martinez-Diaz, 2005).

2.3.2 Europe

The adoption of IAS within the EU was achieved through Regulation No 1606/2002 which was passed by the European Parliament (Camfferman & Zeff, 2006). The regulation required the more than 7,000 companies listed on EU stock exchanges to use IAS when preparing their consolidated financial statements beginning in 2005. The decision to adopt IAS was influenced by the need to meet the accounting requirements of large European multinationals and to boost the profile of IAS as a viable option over US GAAP (Alexander & Eberhartinger, 2010; Camfferman & Zeff, 2006).

The decision to adopt IFRS was not without controversy. Each standard has to be endorsed individually after having been assessed for technical and political suitability (Alexander & Eberhartinger, 2010:42). The technical assessment of IFRS is carried out by the European Financial Reporting Advisory Group (EFRAG), a body made up of private sector experts. The political assessment is conducted by the Accounting Regulatory Committee (ARC), a political body with representatives of all EU member states.

Several authors (Alexander & Eberhartinger, 2010; Benston, *et al;* 2006; Camfferman & Zeff, 2006; Martinez-Diaz, 2005) argue that the endorsement process gave the EC what it lost when its proposal to restructure the IASC into a body more representative of national standard-setters was rejected. The endorsement process has been used successfully to force the IASB to revise IAS 39 (Benston, *et al;* 2006; FCAG, 2009). IAS 39 was initially endorsed for use within the EU without the provisions for full fair value and portfolio hedging of core deposits. At the time of writing, IFRS 9, the successor to IAS 39, had not been endorsed for use within the EU even though four other standards (IFRS 10 – IFRS 13) published afterwards had been endorsed (EFRAG, 2012).

Apart from using the endorsement process to influence content, an EC Commissioner now serves as one of the six members of the Monitoring Board of the IFRS Foundation (IFRSF, 2012a). In addition, the EC serves as an observer on the IFRIC and IFRS Advisory Council

2.3.3 North America

The North America region is dominated by the US with the other significant country being Canada which adopted IFRS in 2011 (IFRSF, 2012a). The US is a founder member of the IASC but remains one of the major economies yet to adopt IFRS for domestic companies (Pacter, 2005). For a while, the US was known to present its accounting standards as of the highest quality until the Enron scandal damaged its credibility and exposed weaknesses (Eaton, 2005; IFRSF, 2012a). The scandal, coupled with the IOSCO endorsement and the EU adoption, made IFRS a viable alternative to US GAAP. Enron was a large US energy company that exaggerated its earnings by over $600 million through exploiting loopholes in US GAAP (Eaton, 2005). Enron concealed operating losses by creating over 3 000 special purpose entities (SPEs) and structuring them in such a way that they were excluded from its financial statements without violating US GAAP.

The US, through FASB, then signed the Norwalk Agreement with the IASB committing to converging US GAAP and IFRS (Eaton, 2005). The agreement has resulted in several projects being accomplished and several IASB-FASB joint meetings (IFRSF, 2012a). The Chair of the SEC also serves as one of the six members of the Monitoring Board of the IFRS Foundation (IFRSF, 2012a).

The Trustees of the IFRS Foundation have expressed concern at the level of effort being dedicated to convergence with US GAAP (IFRSF, 2011b). It is probably a result of frustration over the delay by the US in setting a date for IFRS adoption.

2.3.4 South America

The South America region established the Group of Latin American Standard-setters (GLASS) in 2012 with a membership of 12 (GLASS, 2012). GLASS is the brainchild of Brazil, a country currently serving on a number of IFRS standard-setting structures. GLASS aims to improve participation of South American countries in IFRS development. Apart from Brazil, most South American countries have not been active participants in IFRS due process probably because they have no links to Anglo-American culture, which Zeghal and Mhedhbi (2006) found to play a key role in the adoption of IFRS.

2.3.5 Asian-Oceania

The Asian-Oceanian Standard-setters Group (AOSSG) was established in 2009 (AOSSG, 2011). It describes itself as a 25 member organisation covering a region accounting for 60% of the world's population, 30% of world gross domestic product (GDP) and capital markets with a $21 trillion capitalisation (AOSSG, 2011). Its vision paper expresses displeasure at the dominance of IFRS standard-setting due process by the US and the EC.

The vision paper (AOSSG, 2011) infers that major economies of AOSSG such as Japan, China and India may have chosen to converge rather than adopt because of a lack of confidence in the credibility of IFRS. Convergence means a country does not use IFRS but narrows differences between IFRS and national GAAP. The IASB, acknowledging AOSSG, is concerned that a number of countries may opt for convergence rather than adoption (IFRSF, 2012a:23).

AOSSG (2011) hopes to influence IFRS by coordinating its comments to draft standards, participating in IASB round tables and field tests, and working closely with the IFRS Foundation liaison office to be opened in Tokyo. Not all countries or regions have the same clout to extract such concessions from the IASB. Japan funded the establishment of the liaison office (IFRSF, 2012a).

2.3.6 Africa

The Africa region recently established the Pan African Federation of Accountants (PAFA), representing 39 African countries, which took a decision to adopt IFRS (IASB, 2012). PAFA was established with the assistance of IFAC and the World Bank. The work of Lasmin (2011) reveals the role of the World Bank and the IMF in pressuring developing countries to adopt IFRS as a condition for aid. It confirms the finding of Martinez-Diaz (2005) that both the World Bank and the IMF included adoption of IAS as a condition for aid to developing countries after the Asian financial crisis. Most developing countries agree to adopt IFRS out of rational self-interest calculation. Their adoption decision has nothing to do with the legitimacy of IFRS: it is what Habermas (1973) regards as a submission to authority.

Lasmin (2011) does not entirely attribute adoption of IFRS to external pressure, as lack of technical capacity to write own standards is also cited as another reason. While adoption of IFRS can place poor countries on par with their developed counterparts in as far as the quality of financial reporting is concerned, it has implications for participation in IASB due process. The capacity of participants to articulate their interests and position is compromised when they lack technical capacity.

Research by Zeghal and Mhedhbi (2006) concludes that high literacy rates, a stock exchange and links to Anglo-American culture were the factors most likely to influence voluntary adoption of IFRS in the Africa region. Education improves the competence of professional accountants and affects a country’s readiness to adopt IFRS. The impact of stock exchanges is not surprising given the IOSCO endorsement and the IASB's focus on information needs of investors. The influence of Anglo-American culture is a residue of colonialism which has left former colonies with education, legal, tax and political systems resembling those of their former colonial masters. The accounting needs of a former colony may be met if IFRS reflect the preference of a former colonial master such as the UK.

The adoption of IFRS by South Africa in 2005 presents a totally different angle to why countries in the Africa region adopt IFRS. Edwards, *et al* (2006) claim that the decision to adopt IFRS was made in 1993 as part of the new government's reform agenda. The reforms package included the restructuring of public accounts, reform of corporate practices, attraction of FDI, good governance, foreign policy considerations and reforming the accountancy profession as motivations for adopting IFRS. According to this view, the adoption of IFRS was an attempt to end South Africa's isolation under apartheid. It is claimed that the South African government had embraced globalisation as inevitable and sought to strategically position the country as a global player.

While the motivations for adoption of IFRS seem noble, the work of Edwards, *et al* (2006) also reveals challenges. The constant publication of new and amended IFRS means a commitment to constantly adapting. A shortage of accountants with IFRS competence undermines comparability implying that some financial statements are not fully IFRS compliant. The inability of a large number of small firms to cost-effectively apply IFRS is forcing countries to retain national GAAP. In the case of South Africa, additional guidance had to be provided for national imperatives such as black economic empowerment (BEE) transactions which were not covered by IFRS (Edwards, *et al;* 2006).

The case study of South Africa (Edwards, *et al*; 2006) demonstrates the strategic reasons of why a country can decide to adopt IFRS. Such considerations may be true for a number of countries (Zeghal & Mhedhbi, 2010) even in cases where such reasons may not be the dominant ones. In the next section, the legitimacy challenges of IFRS are reviewed.

2.4 The legitimacy challenges of IFRS

The legitimacy challenges of IFRS can be divided into internal and external challenges. The internal challenges emanate from the standard-setting due process (Richardson & Eberlein, 2011). The external challenges are the state's responsibilities (Zimmermann, *et al*; 2008) and the sensitivities of certain policy fields (Esty 2006). Suzuki (2012) highlighted the sensitivities in Japan regarding the focus of IFRS on the needs of investors and the possibility of encouraging short-termism. He argues that such a shift in managerial behaviour could undermine innovation and long-term investment which have been the hallmark of Japanese management philosophy.

2.4.1 The standard-setting due process

For all its perceived benefits of comparability of information and the attraction of FDI, the adoption of IFRS has costs. One of the costs is what Esty (2006) identifies as the need for states to partially surrender sovereignty and delegate their policy-making responsibilities to unelected transnational officials. The Trustees (IFRSF, 2011b) agree that delegation of IFRS standard-setting responsibilities creates governance and accountability problems for the IASB. The dilemma is that improved governance and accountability enhances the legitimacy of IFRS but is at variance with the technocratic nature of the IASB.

According to Black (2008), accountability problems deepen because the IASB is not officially mandated by any state and there are no independent recourse structures for aggrieved parties. The absence of a formal mandate creates uncertainty over the IASB's accountability chain and poses the challenge of how its performance should be evaluated. Buchanan and Keohane (2006) argue that an institution such as the IASB can face legitimacy challenges if there is wide variation between expected and actual performance. A misunderstanding of its mandate, which Black (2008) alludes to, can hamper an objective assessment of its performance.

An affected party unhappy with the IASB's performance cannot appeal to an independent recourse structure such as transnational courts or legislative committees (Black 2008). Such a scenario creates a perception of an IASB accountable only to itself. The absence of checks and balances provided by recourse structures is a major departure from domestic practices. The role of recourse mechanisms, as an incentive for decision-making rigour, is rendered ineffective.

Even without recourse structures, Porter (2005) argues that states still delegate standard-setting responsibilities to the IASB because of the expertise it possess. He refers to such expertise as technical authority which he argues is necessary but not sufficient to legitimate IFRS. Perry and Nolke (2006) agree that technical considerations are not sufficient to legitimate accounting standards because accounting has wide social consequences. The narrowness of experts' focus on technical issues, without considering the broader policy implications, is therefore problematic. The narrowness of IFRS scope, focusing on investor needs, is raised in the report of the FCAG (2009) which questions the purpose of the standards.

In an analysis of transnational institutions, Helleiner and Porter (2010) identify uneven representation of countries and capture by vested interests as common legitimacy challenges arising from IASB due process. The exclusion of affected parties from due process relegates them to the role of standards takers and deepens legitimacy challenges as it violates the requirement for equal opportunities for participation demanded by Habermas (1973). The legitimating power of due process is compromised when vested interests manipulate the process (Helleiner & Porter, 2010).

The lobbying of standard-setters by vested interests is well documented. Helleiner and Porter (2010) credit the global financial crisis for bringing political lobbying into the open and testing the integrity of the IFRS standard-setting due process. It is now common knowledge that the EC forced the IASB to waive due process and effect an amendment to IAS 39 that permitted the exclusion of certain financial instruments from being measured at fair value (FCAG, 2009).

Another source of legitimacy challenges for IFRS is that they are mostly required or permitted to be used only by listed companies and/or those with public accountability such as financial institutions (Benston, *et al;* 2006). For this reason, countries that adopt IFRS still maintain national GAAP for use by other reporting entities. The continued development of national GAAP creates an alternative to

IFRS and has the effect of tempting states to consider rejecting IFRS or introducing unilateral amendments.

In seeking to understand why IFRS has been widely accepted, Kerwer (2005) concludes that it has been in part due to their perceived “soft law” nature: voluntary best practice. The “soft law” characteristic of IFRS is supposed to make them compatible with the principle of national sovereignty because national standard-setters should retain autonomy over their application in their own jurisdictions. However, endorsement by IOSCO and the EC (Kerwer, 2005) as well as the role of the IMF and World Bank (Lasmin, 2011) made them mandatory “hard law.” The irony is that what made adoption of IFRS attractive is also their source of legitimacy challenges. The legitimacy challenges of IFRS are best understood through the state responsibility theory of Zimmermann, *et al* (2008) and the sensitivity inherent in certain policy fields as defined by Esty (2006).

2.4.2 The state’s responsibility theory

According to Zimmermann, *et al* (2008), the state has operation, supervision and outcome responsibilities in any policy field. The state assumes operation responsibility when it performs a function such as law and order maintenance. The supervision responsibility entails partial delegation to non-state actors. The outcome responsibility, forever the responsibility of the state, requires intervention when anticipated policy outcomes are in jeopardy. The state’s governance responsibilities are best illustrated by figure 2.2 adapted from Zimmermann, *et al* (2008).

Figure 2.2 The governance responsibilities of the state

Responsibility of the state	Influence of the state and non-state actors	International actors
Operation		
Supervisory		
Outcomes		

Source: Adapted from Zimmermann, *et al* (2008:20)

The choice of the state’s role is influenced by the extent of public interest in any policy field. Zimmermann, *et al* (2008) predicts that in times of crisis, the state is likely to intervene if outcomes are uncertain because politicians have to demonstrate to the electorate that they have done everything in their power to avert a crisis.

At the international level, the probability of state intervention is also influenced by the type of governance arrangement which can either be supranational or transnational (Zimmermann, *et al;* 2008). Supranational governance involves only state actors and is normally underpinned by treaties or protocols formally acceded to by states. In contrast, transnational governance depends on non-state actors with no formal mandate: only tacit approval to the extent that outcomes remain satisfactory. Zimmermann, *et al* (2008) argues that the sharing and delegation of responsibilities inherent in transnational governance is a natural source of legitimacy challenges.

2.4.3 The sensitivity of policy fields

The matrix proposed by Esty (2006:1513) can be used to understand how sensitivities around certain policy fields have legitimacy implications. The matrix in table 2.1 below shows how the level of interdependence and the nature of the policy field affect legitimacy. The level of interdependence influences the appetite of states to collaborate at the international level. States only prefer supranational or transnational collaboration when they believe that the policy field exhibits deep interdependence. Everything else is better handled in a manner that preserves national sovereignty. This means that legitimacy challenges are likely when a policy field of low interdependence is dealt with at the transnational level. This is independent of whether due process satisfies the exerting conditions of Habermas (1973).

Table 2.1 The sensitivity of policy fields

		Nature of policy field	
Level of interdependence		**Scientific/Technical**	**Political/Value laden**
	Limited	Narrow scope for transnational governance	Transnational governance not viable
	Deep	Least controversial	Legitimacy concerns Politically sensitive

Source: Adapted from Esty (2006:1512)

The nature of a policy field could either be scientific/technical or politically sensitive/value laden (Esty 2006). Technical or scientific policy fields are likely to require solutions that have universal appeal hence experts have a better chance of reaching consensus on an appropriate solution. On the other hand, politically sensitive or value-laden policy fields generally lend themselves to interpretations which makes it difficult to reach consensus on possible solutions. Difficulties in reaching consensus on appropriate solutions leave due process in need of legitimation. According to Esty (2006), one should generally expect heightened legitimacy concerns when dealing with a politically sensitive policy field that has deep interdependence. It seems that IFRS are no longer technical and voluntary but politically sensitive and mandatory. Apparently their due process is in need of higher levels of legitimation.

The reluctance of states to delegate policy-making responsibilities for politically sensitive policy fields (Esty, 2006), the IASB's lack of formal mandate and the absence of recourse mechanisms for aggrieved parties (Black, 2008), the uneven representation of countries in standard-setting due process (Helleiner & Porter, 2010), the limited legitimating ability of the IASB's technical authority (Porter, 2005) and the outcome responsibility of the state (Zimmermann, *et al;* 2008) are all factors likely to affect the legitimacy of IFRS.

It seems as if IFRS have very little scope of being perceived as legitimate. One could argue that the debate about the legitimacy of IFRS is not necessary: states must resort to national GAAP. However, earlier discussions on the globalisation of IFRS have highlighted their inevitability. The next section is a rescue mission: an evaluation of possible legitimation strategies.

2.5 The legitimation of IFRS

The legitimation of IFRS is likely to happen at two levels: the institutional and process level which is what the Trustees (IFRSF, 2011b) refer to as the strength of the IASB and the quality of IFRS respectively. The policy paper of IFAC (2011) also identified the independence of structures and decision-making processes as key to achieving legitimacy. Zimmermann, *et al* (2008) argue that the organisational structures should facilitate accountability and control while due process procedures should be ideal for the participation and deliberation of affected parties. The work of Suchman (1995) offers possible institutional legitimation strategies, the global governance toolbox of Esty (2006) deals with transnational governance in general and the procedural legitimacy of Richardson and Eberlein (2011) is ideal for standard-setting due process.

2.5.1 Institutional legitimation

In his seminal work on strategic and institutional approaches to managing legitimacy, Suchman (1995) identifies three primary forms of legitimacy: pragmatic, moral and cognitive. He describes strategic approaches as the actions of institutions in manipulating audiences to view the institution's actions as appropriate, desirable and acceptable. In contrast, institutional approaches assume that society's beliefs transform the institution into what is acceptable. Put differently, a strategic approach would result in the IASB manipulating states to adopt IFRS as legitimate standards while an institutional approach would result in states influencing the IASB to be the ideal standard-setter whose output they can accept.

Suchman (1995) crafts a complex web of independent but related variables that can be used to determine legitimacy. The complexity arises from his definition of legitimacy: "…a <u>generalised</u> perception or assumption that the actions of an entity are <u>desirable, proper or appropriate</u> within some <u>socially constructed system of norms, values, beliefs and definitions</u>" (Suchman, 1995:574). In this definition, words that are believed to pose challenges for managing legitimacy of IFRS are underlined. It is difficult to achieve a generalised perception of propriety, desirability and acceptability for IFRS from an audience in over 100 countries. Moreover, different cultural backgrounds mean divergent norms, values, beliefs and definitions. If a global survey was to be undertaken, one should expect to find very divergent perceptions of the legitimacy of IFRS.

The question may be asked: Should one lose hope and assume that IFRS will be forever illegitimate due to the difficulty of achieving a generalised perception of propriety, desirability and acceptability? The pragmatic, moral and cognitive forms of legitimacy suggested by Suchman (1995) are likely to be visible in the relationship between the IASB and its constituents.

Suchman (1995) defines pragmatic legitimacy as based on self-interest calculations and can be acquired through responding favourably to the interests of constituents. Managing pragmatic legitimacy depends on manipulation of constituents or conforming to their demands. In the case of the IASB, pragmatic legitimacy could include the co-option of powerful stakeholders into decision-making structures and/or responding favourably to their needs. However, Suchman (1995) views pragmatic legitimacy as an unstable form since it can become unsustainable to manage its legitimation tactics.

Another legitimacy type proposed by Suchman (1995) is moral legitimacy which is based on an evaluation of outputs and consequences, procedures and structures. It is similar to the Habermasian view, appropriately described by Froomkin (2003) as bringing moral philosophy into the realm of political science. According to Suchman (1995), structures and procedures are important in managing legitimacy as they serve as proxies for less visible legitimacy evaluation targets. The expectation is that when IASB due process is perceived as appropriate and acceptable, constituents are likely to perceive IFRS as legitimate. The difficulty with moral legitimacy is the lack of agreement on moral standards which varies sharply across individuals, geographical areas and cultures.

Cognitive legitimacy, which Suchman (1995) considers to be the most subtle and powerful type, is based on how an institution or its activities are understood. It emanates from belief systems connected with the practical experiences of audiences and is achieved when an institution and its activities have gained a higher level of acceptance and comprehension. The difficulty with cognitive legitimacy in relation to IFRS is the lack of a formal mandate for the IASB (Black, 2008) and contestation over the purpose of IFRS (FCAG, 2009). Such disagreements and contestations impair comprehensibility.

Suchman (1995) argues that institutions can attempt to achieve cognitive legitimacy by changing their structures and processes to resemble those of the most secure and prominent entities in their fields. One could therefore argue that the restructuring of the IASB to resemble the FASB, in both structure and procedures (Richardson & Eberlein 2011), was in part an attempt to achieve cognitive legitimacy. Unfortunately, the IASB does not have a formal mandate as is the case with the FASB (SEC, 2009).

The pragmatic legitimacy of Suchman (1995) is what Weber (1978) condemns as obedience strategically executed for self-interest reasons. It is not legitimacy but compliance. Cognitive legitimacy resides in individuals and is difficult to measure. To apply it in a study would require the polling of individuals to understand their perceptions. Even then, their responses are likely be influenced by their belief systems (Suchman, 1995) which are influenced by their motivations to adopt IFRS. This leaves moral legitimacy to be discussed. Reliance on the evaluation of consequences, structures and processes (Suchman, 1995) makes moral legitimacy viable. The drawback is disagreement over moral standards to be met. In this section, a different perspective is taken by discussing the global governance toolbox of Esty (2006) which may be ideal for legitimating due process.

2.5.2 The governance toolbox

The global governance toolbox developed by Esty (2006) is built around administrative law provisions normally available at national level. The toolbox is anchored on four dimensions: control on corruption; systematic and sound rulemaking; transparency and public participation; and power sharing. Esty (2006) argues that constituents are already familiar with domestic administrative law provisions and would find them acceptable at the transnational level.

Esty (2006) proposes controls on corruption, self-dealing and the influence of special interests to prevent potential conflict of interest and the abuse of power.

Typical controls include the disclosure of personal interests, recusal from deliberations when conflicted, disclosure of material gifts, limits on the activities of special interests lobbyists and independent inspections to confirm compliance with due process. The assumption is that public disclosure by IASB board members could prevent abuse of power.

Systematic and sound rule making requires procedures that interrogate theory, scrutinise assumptions and consider practical implications (Esty, 2006:1527). Sound rule making partially resonates with the rational authority of Weber (1978) but is more in synchronisation with the practical discourse favoured by Habermas (1973). The tools suggested by Esty (2006) include drafts published with notice and comment period, public profiling of decision makers, public and open deliberation process, and written decisions accompanied by justification. The publication of decision makers is intended to prevent inappropriate and unaccountable exercise of authority.

Transparency and public participation are important in two respects: transparency enables good governance while participation improves the comprehension of the institution and its outputs (Esty, 2006; Zimmermann, *et al;* 2008). The outcome sought by Esty (2006) is that due process should afford those with input an opportunity to advance their ideas. It is a requirement crafted along the Habermasian view of legitimacy guided by the belief that transparency and participation can improve the willingness of constituents to accept the outcome if they judge due process to be fair.

The last element in Esty's (2006) toolbox is power-sharing, which advocates for divided authority and review mechanisms. Power-sharing should enhance accountability and strengthen deliberation while review mechanisms should provide opportunities for second opinion and correction of mistakes. The review mechanisms inherent in power-sharing are an attempt to enforce the rigour of decision-making and compensate for the absence of independent recourse structures that Black (2008) identified as a concern. While power-sharing seems plausible, Black (2008) identified coordination challenges to be a drawback.

Esty's (2006) toolbox is relevant to managing the legitimacy of both the IASB and IFRS. The toolbox draws heavily from administrative law and the legitimacy perspective of Habermas (1973). In the next section, the procedural legitimacy as proposed by Richardson and Eberlein (2011) is discussed.

2.5.3 Procedural legitimacy

Richardson and Eberlein (2011) argue that the legitimacy of due process is a three stage process: input, throughput and output legitimacy. Input legitimacy is concerned with the participation of affected parties, throughput legitimacy refers to the fairness of transforming inputs into outputs and output legitimacy is about the successful discharge of appropriate outcomes.

Uhlin (2010) proposes elements that constitute input, throughput and output legitimacy at transnational level (see adapted table 2.2 below).

Table 2.2 The elements of procedural legitimacy

	Sources of legitimacy		
	Input legitimacy	**Throughput legitimacy**	**Output legitimacy**
Elements of each source	1. **Participation** • Opportunities • Quality and quantity • Cost	1. **Accountability** • Chain of command • Performance assessment	1. **Outcomes** • Appropriate policy outcomes
	2. **Representation** • Representativeness • Selection process	2. **Deliberation** • Critical reflection • Rational argumentation • Rigour of decision-making	2. **Consequences** • Redistributive effects • Costs and benefits
		3. **Transparency** • Openness of decision-making • Availability of information	

Source: Adapted from Uhlin (2010:33)

Input legitimacy depends on the participation and representation of all affected parties (Richardson & Eberlein, 2011). The participation of all affected is a condition to be met by a practical discourse capable of legitimating its outcomes (Habermas, 1973). Participants, as free and equal, must be afforded the opportunity to submit inputs. According to Uhlin (2010), the interest should not only be in the quantity and equal opportunities for participation, but also in the quality and cost of participation. The lack of technical skills (Lasmin, 2011) and the location of the IASB office in London (AOSSG, 2011) are factors that can negatively impact participation. Unfortunately, broad participation is at variance with the efficiency and expertise-based thinking that informed the structure of the IASB (Richard & Eberlein, 2011).

Black (2008) identifies the IASB's lack of formal mandate as an impediment when attempting to ascertain the ideal participants in its due process. It is a challenge of identifying all affected parties who are eligible to participate in a practical discourse. The participation of representatives (Dryzek & Niemeyer, 2006; Richardson & Eberlein, 2011) is suggested as an alternative when all affected parties cannot participate directly. Uhlin (2010) admits that the participation of representatives seems practical but questions their representativeness and how they are selected. The use of representatives requires mandates which in turn limit the authority of individuals to alter the level of discourse and shift standpoints. When representatives participate in discourse with a limited mandate, their ability to be moved by the force of a better argument as proposed by Habermas (1973) is compromised.

Throughput legitimacy is defined by Richardson and Eberlein (2011) as the fairness of the process of transforming inputs into outputs and the rigor of decision-making. The power-sharing in Esty's (2006) toolbox, coupled with the decision-making structures of the IASB, should promote the decision-making rigour which is crucial to the legitimacy of IFRS. The deliberation inherent in throughput legitimacy promotes rationality and improves outcomes through the clarification of underlying issues, careful analysis of facts and the evaluation of options. It is a combination of the practical discourse of Habermas (1973) and the rational authority of Weber (1978).

Outcome legitimacy is achieved from the successful discharge of policy objectives (Richardson & Eberlein, 2011). It emanates from the outcome responsibility of the state that Zimmermann, *et al* (2008) suggest attracts state intervention when outcomes are in jeopardy. The IASB can claim legitimacy to the extent that IFRS successfully discharge policy outcomes. States are unlikely to easily agree on the policy outcomes to be pursued by the IASB as their decisions to adopt IFRS were motivated by divergent policy outcomes such as crisis avoidance (Eaton, 2005), accounting reforms (Edwards, *et al;* 2006), condition for aid (Lasmin, 2011) and pressure from the stock exchanges (Martinez-Diaz, 2005). The FCAG (2009) questioned whether IFRS should meet the information needs of investors or that of regulators. To the extent that the two needs are mutually exclusive, legitimacy is almost impossible to achieve.

Output legitimacy also depends on the costs and benefits imposed by outcomes (Richardson & Eberlein, 2011). In the case of IFRS, adoption must not impose an unnecessary burden in excess of the benefits accrued.

It is possible to combine Richardson and Eberlein's (2011) procedural legitimacy with Suchman's (1995) moral philosophy and Esty's (2006) governance toolbox into a cocktail of governance measures capable of legitimating IFRS. Procedural legitimacy is anchored on rigorous due process procedures and also allows for due consideration of the impact of accounting standards. Moral legitimacy allows for the evaluation of outputs and consequences, procedures and structures.

The governance toolbox facilitates controls on corruption; enables systematic and sound rule-making; improves transparency and public participation; and allows for power sharing. It seems that such a combination of measures is capable of producing legitimate outcomes. The combination has the potential to meet the exerting conditions set by Habermas (1973).

2.6 Summary and conclusions

In this chapter, legitimacy was conceptualised and defined. Literature review indicated that the conditions under which IFRS can be considered legitimate include: 1) the non-exclusion of affected parties; 2) equal opportunities for all affected to participate; 3) the absence of coercion other than the force of a better argument; and 4) the absence of ulterior motives on the part of participants.

The analysis of the Weberian conception of legitimacy seems to suggest that it is of little empirical value given its criticism of conflating legitimacy with legality. To the contrary, in this study it is argued that rational authority provides an opportunity to assess the role of technical skills and funding in the standard-setting process.

An analysis of the motivations for adopting or converging with IFRS across the IASB regions of Africa, Asia/Oceania, Europe, North America and South America reveals a wide range of reasons. They include the need by poor countries to meet the aid conditions of the IMF and the World Bank, the expansion of multinationals, cross-border listings, crisis avoidance, accounting reforms and a lack of technical and financial resources to write own standards. The diversity of the motivations is not surprising but it reveals potential differences in the way constituents perceive IFRS. It is likely that perceptions about the legitimacy of IFRS will be distorted by self-interest calculations.

It seems that the future of IFRS is likely to be influenced by IOSCO, the EC and the SEC. The endorsement by IOSCO and the adoption by the EC gave IFRS the credibility and political clout they needed. The fact that both events occurred within a month of each other may be coincidental but suggests a lot of manoeuvring on the part of the EC and the SEC through IOSCO. The EC process of endorsing IFRS ensures that it exerts influence on the IASB due process.

The case of IAS 39, and its successor, IFRS 9, are prominent examples of the effectiveness of the endorsement process.

The US tactic of convergence over adoption has been adopted by China, India and Japan. The IASB seems uneasy with the convergence route but the growing economic stature of China and India, combined with that of Japan, will guarantee AOSSG influence in IFRS standard-setting to rival the US and the EC. The formation of AOSSG, PAFA and GLASS is likely to exert more pressure on the IFRS standard-setting due process to be more representative of its global audience.

The legitimacy challenges of IFRS that are internal to the IASB include a lack of a formal mandate and the absence of independent recourse structures, capture of due process by vested interests and the narrow scope of IFRS' focus on investors' needs which limits consideration of other policy implications. The challenges external to the IASB are mostly the existence of national GAAP and the emergence of regional standards bodies such as EFRAG, AOSSG, PAFA and GLASS that could serve as alternatives. The formation of regional bodies may be an attempt by the IASB to contain rebellion by getting countries into groups and appeasing the lead member. Alternatively, it may be a way of the IASB trying to free itself from the US and EC influence by strengthening other regions.

The outcome responsibility of the state which requires intervention when policy outcomes are threatened and the sensitivities around certain policy fields are likely to continuously threaten the legitimacy of IFRS. It is not all doom and gloom as a combination of moral legitimacy, the global governance toolbox and procedural legitimacy can result in an IASB due process capable of legitimating IFRS. Such a combination of moral legitimacy, good governance and the participation of affected parties should create conditions under which the resultant IFRSs can be considered legitimate. The next chapter analyses the legitimacy implications of the global financial crisis.

3 THE LEGITIMACY IMPLICATIONS OF THE GLOBAL FINANCIAL CRISIS

3.1 Introduction

The legitimacy challenges of IFRS were identified in chapter two as emanating from the due process of standard-setting, the state's responsibilities and the sensitivities of certain policy fields. The legitimacy implications of the due process of IFRS standard-setting are dealt with in the next chapter. This chapter discusses the legitimacy implications of the global financial crisis in the context of the state's responsibilities (Zimmermann, *et al;* 2008) and the sensitivities of certain policy fields (Esty, 2006).

Zimmermann, *et al* (2008) argue that the state has operation, supervision and outcome responsibilities in any policy field. The state's outcome responsibility requires it to intervene whenever anticipated policy outcomes are in jeopardy. According to the outcome responsibility theory, heightened public interest and the need by politicians to demonstrate that they have done everything in their power to minimise impact, guarantees state intervention in times of crisis.

Esty (2006) argues that politically sensitive or value-laden policy fields have legitimacy challenges because potential solutions lend themselves to interpretations which lead to disagreements among stakeholders. Difficulties in reaching consensus on appropriate solutions leave the due process in need of legitimation. One should expect heightened legitimacy concerns when dealing with a politically sensitive policy field that has deep interdependence: when an appropriate solution requires collaboration of different parties.

According to Arnold (2009), studying the global financial crisis makes it possible to analyse and interpret the relationship between accounting and the macro political and economic environment. She argues that conventional accounting research remains bound to the "narrow view of accounting as a neutral technology" (Arnold, 2009:805). Accounting standards have redistributive effects; they shape and are shaped by power relations, and are influenced by ruling elites and dominant ideologies.

This chapter discusses the legitimacy implications of the global financial crisis in three parts. The first part discusses the causes and impact of the crisis. The global scale of the crisis highlights the collective action problem and its impact on the state's responsibilities. The conclusions on the causes and impact of the crisis have legitimacy implications for the due process of IFRS standard-setting.

The second part discusses the role of accounting standards in the global financial crisis. The focus is on the "fair value debate", a discussion of whether fair value accounting requirements caused or exacerbated the global financial crisis. The use of rhetoric in lobbying for the suspension of fair value accounting is also discussed.

The third part analyses the IASB's response to the crisis split into three: the improvement and simplification of accounting requirements for financial instruments, the October 2008 amendment of IAS 39 to allow limited reclassification of financial assets and the report of the Financial Crisis Advisory Group. The project to simplify accounting requirements provides the background to the development of IFRS 9 and IFRS 13 which is analysed in detail in chapter six. The amendment of IAS 39 provides a practical example of the state's response when policy outcomes are in jeopardy. In addition, it tests the legitimating power of the rhetoric of due process.

The report of the FCAG (2009) discusses the standard-setting implications of the crisis which lays the foundation for the assessment of IFRS standard-setting due process in chapter four. The work of the FCAG (2009) is likely to influence current and future thinking around the IFRS standard-setting structures and procedures.

3.2 The global financial crisis

The global financial crisis began in 2007 triggered by a liquidity crisis at two hedge funds owned by Bear Sterns (Krohn & Gruver, 2009). Some observers have likened the crisis to the great depression of the late 1920s (SEC, 2009) in order to demonstrate the extent of the perceived impact of the crisis.

The boom in US housing prices experienced in the early 2000s started to reverse in 2006 which led to an increase in the number of subprime mortgages customers failing to repay their loans. IOSCO (2008:2) describes subprime mortgages as "loans to home-buyers who do not qualify for low interest mortgages". In other words, customers with a higher risk of default are induced into borrowing by offering them favourable credit terms normally applicable to creditworthy clients.

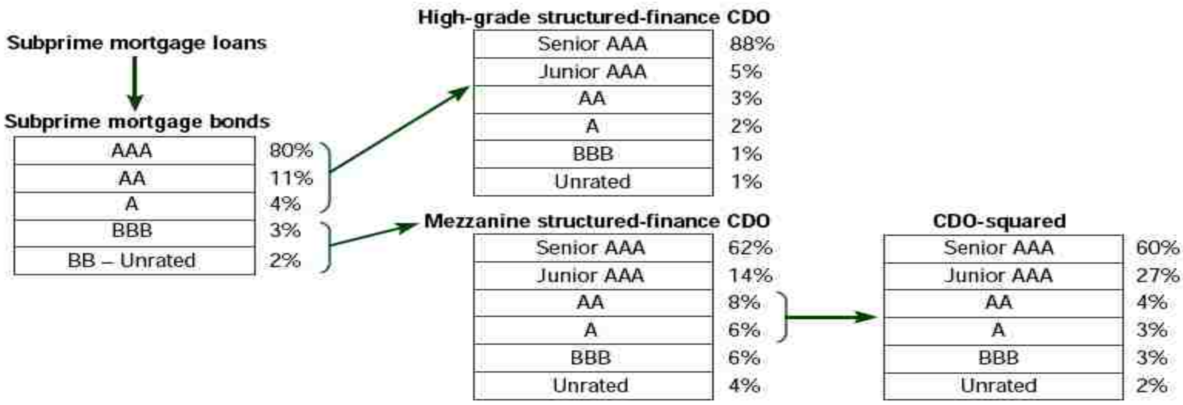
3.2.1 The causes of the crisis

IOSCO (2008) blames the crisis on market share competition among loan originators that resulted in a relaxation of underwriting standards and loose credit practices. Subprime loans originated by brokers were packaged into structured credit products that were sold mostly to institutional investors. This originate-to-distribute lending model incentivised loan originators to sign up more clients without conducting proper credit checks (IOSCO, 2008).

The demand for structured credit products was spurred by the high economic growth and low interest rates that prevailed just before the onset of the crisis which resulted in buoyancy among investors (IMF, 2008). Investors went in search for higher yields in poor credit-quality investments and this spurred the origination of more loans. The result was a proliferation of “opaque and complex structured credit products” such as collateralised debt obligations (CDOs), residential mortgage-backed securities (RMBS) and credit default swaps (CDS) (Krohn & Gruver, 2009:34). These structured credit products are the result of securitisation, the pooling and packaging of loans into marketable financial instruments.

Securitisation transformed low-rated investments into AAA-rated investment products to meet the needs of institutional investors (IMF, 2008). Figure 3.1 below shows how subprime loans of BBB rating and below were securitised into several tranches of AAA-rated investments. AAA is the safest rating possible with almost no risk of default (IMF, 2008:55).

Figure 3.1 A typical securitisation process



Source: IMF (2008:60)

Institutional investors were accused of outsourcing due diligence to credit rating agencies and investing in complex structured credit products they rarely understood (IMF, 2009). According to IOSCO (2008), credit rating agencies lack transparency and are conflicted because they issue ratings while advising the same clients on structuring credit products.

The IMF (2009) also attributes the cause of the crisis to the exemption of investment banks, hedge funds and off-balance sheet structured investment vehicles (SIVs) from regulatory oversight. The IMF (2009) refers to these market participants as the shadow financial sector. The exemption allowed for a build-up of unnoticed systemic risks as the shadow financial sector grew to rival the formal banking system. The unregulated shadow financial sector was used by banks as a means of evading capital requirements by pushing risk to SIVs. Banks misjudged their commitments to SIVs which resulted in poor management of liquidity and concentration risks (FSF, 2008). Compensation schemes in financial institutions were also cited for encouraging excessive risk taking by focusing on short term targets.

The Basel Committee on Banking Supervision (BCBS) credits the crisis for revealing the extent of the interconnectedness of markets which had not been previously understood. The ECB (2008) and IOSCO (2009) acknowledge the same and attribute it to the activities of the shadow financial sector. Aware of the extent of the crisis, the BCBS had to double its membership to 27 jurisdictions to enhance its legitimacy (BIS, 2010). The extent of the interconnectedness is demonstrated by the spread of the impact of the crisis across the globe.

3.2.2 The impact of the crisis

The IMF (2008) estimated potential losses of over US$1.4 trillion to financial institutions. Repercussions to the rest of society included the repossession of mortgaged houses, rising unemployment, unavailability of loans for businesses, economic contraction (recession), and diminished investor risk appetite that slowed investment.

In the US, the crisis forced Lehman Brothers to file for bankruptcy, Merrill Lynch was acquired by Bank of America, Bear Sterns was bought by JP Morgan Chase and the US government ended up being an 80% shareholder of American

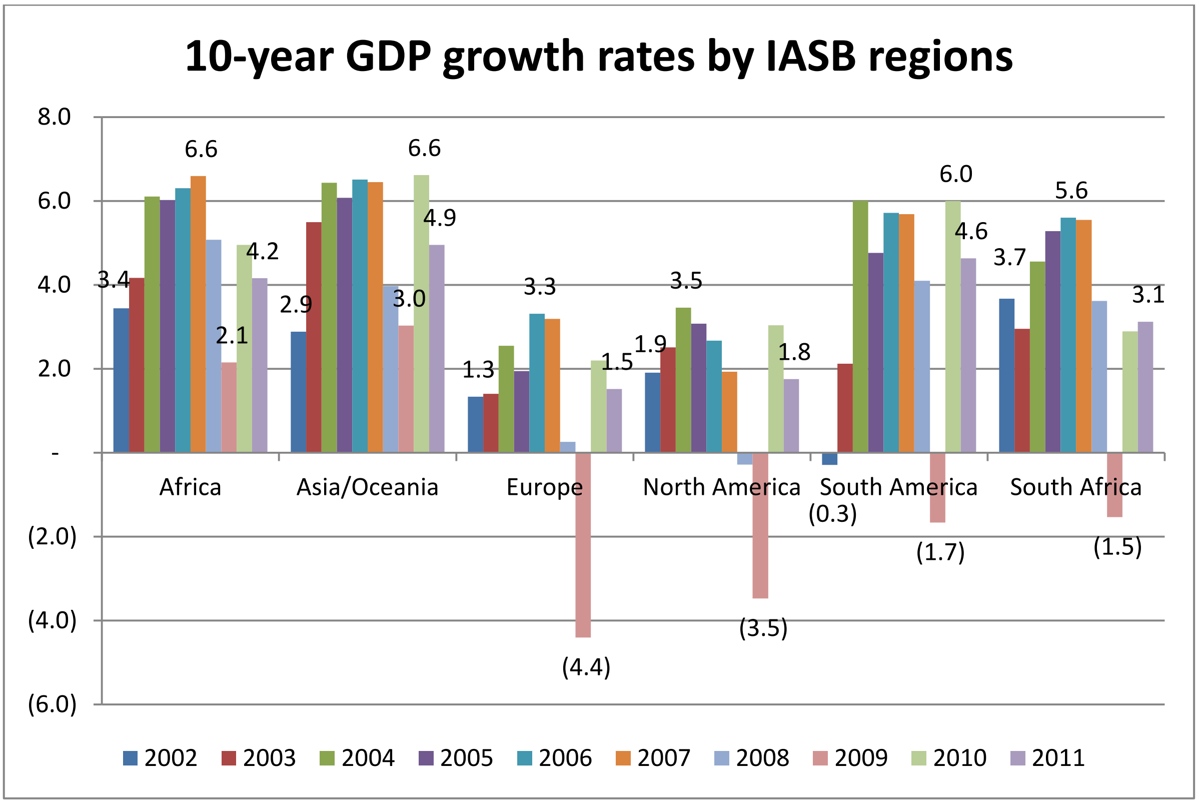
International Group Inc. (AIG) (Krohn & Gruver, 2009). The Federal Reserve expanded its lending program and the US Congress availed US$700 billion to purchase illiquid assets from financial institutions.

In Europe, banks had to absorb valuation write-downs on structured credit products which had accumulated to €73 billion by November 2008 (ECB, 2008). In addition, the market value of banks declined by a cumulative €450 billion within a year up to November 2008. Just like in the US, liquidity dried up and the ECB (2008) had to extend loans to banks beyond its normal mandate. EU governments pledged €2 trillion of support to banks and the ECB (2008) had to coordinate with other central banks to cut lending rates and loosen money supply. The liquidity crisis served to accelerate the eurozone debt crisis which is still unresolved (ECB, 2008).

A study by IOSCO (2009) concluded that emerging markets had suffered from the crisis through the repatriation of capital by foreign investors, withdrawal of international lines of credit and exchange volatility. Unemployment rose sharply and export markets were lost due to heightened protectionism. The IOSCO (2009) study also concluded that emerging markets were more interlinked with the rest and called for their inclusion in decision-making processes of global governance structures.

The most notable impact of the global financial crisis was on GDP growth rates. Figure 3.2 presents ten year (2002 to 2011) GDP growth rates for all IASB regions including figures for South Africa. A ten-year view makes it possible to analyse growth trends prior to the crisis and after the onset of the crisis. The graph below shows that GDP growth in all regions was affected by the global financial crisis. GDP growth in Africa and Asia/Oceania receded while all other regions suffered economic contraction. The worst growth rates were experienced in 2009 suggesting that the full impact of the crisis was felt in that year. None of the regions has recovered to its pre-crisis GDP growth rates.

Figure 3.2 Gross domestic product growth rates by IASB region



Source: The World Bank (no date)

The valuation write-downs on structured credit products and the contraction in GDP growth led to a debate on the role of accounting standards in causing or exacerbating the crisis (IASCF, 2009a). Critics blamed fair value accounting for requiring inappropriate write-downs at a time when markets were “inactive, illiquid or irrational” (SEC, 2009:1). The arguments on the role of accounting standards’ fair value measurement requirements in the crisis led to what is generally referred to as the fair value debate.

3.3 The fair value debate

Under instruction from the US Congress, the SEC (2009) undertook a study on the role of fair value accounting in the crisis. It found that only 45% and 15% of US financial institutions’ assets and liabilities respectively were valued at fair value, mainly for trading and derivative instruments. The study also found that only 25% of assets had changes in fair value that affected the income statement but in such cases the fair value movements were significant. Fair value accounting was absolved of any responsibility for the collapse of US banks but the SEC (2009) recommended the development of application guidance.

The absence of application guidance led to doubts about the validity of the carrying values of financial instruments disclosed in financial statements (IMF, 2008). The complex nature of structured credit products impeded valuations while the use of models undermined market confidence in the published results. The IMF (2008) faulted accounting disclosure requirements for providing summarised information which left users of financial statements unsure about the extent of the subprime exposure of the reporting entity.

According to research commissioned by the Association of Certified Chartered Accountants (ACCA, 2010), there were always concerns among financial institutions about IAS 39 even before the crisis. The concerns centred on the impact of fair value accounting on risk management practices because of the inconsistencies in the valuation of hedge positions, fluctuations of market values in illiquid markets and the tainting rules for hold-to-maturity assets. The tainting rules had the unintended consequence of discouraging the disposal of specific hold-to-maturity assets even when it was prudent to do so (ACCA, 2010). The other concerns were earnings volatility caused by the positive correlation of asset values to economic cycles, the inadequacy of recognising credit losses when incurred and failure to align with the banking business model.

Smith, Boje and Melendrez (2010) attribute the criticism of fair value accounting to the use of rhetoric by the media and lobbyists. They define rhetoric as an attempt to persuade audiences in the authority and legitimacy of an argument. Smith, *et al* (2010) argue that the media used emotion (pathos), the character of the speakers (ethos) and logic (logos) in an attempt to apportion blame and force politicians to suspend fair value accounting. Pathos was employed when the media reported on emotional issues such as the erosion of pension savings and the repossession of houses. Ethos was utilized when the media used high-profile and influential characters such as Newt Gingrich, the former speaker of the US congress, and Steve Forbes, the billionaire owner of Forbes Magazine, to lobby for the suspension of fair value accounting (Smith, *et al;* 2010).

Selected global political leaders, under the aegis of the Group of Twenty (G-20), recommended that the IASB and FASB accelerate their convergence of accounting standards and simplify accounting standards for financial instruments (FCAG, 2009). The call by the political leaders may have been in keeping with the outcome responsibility of the state as advanced by Zimmermann, *et al* (2008). The BCBS requested the IASB to consider the impact of IFRS on the effectiveness of regulatory activities (BIS, 2010). The impact of the crisis and the fair value debate placed significant pressure on the IASB to act.

3.4 The IASB's response to the crisis

The IASB responded by reviewing the accounting requirements for financial instruments and enhancing governance and accountability mechanisms. The IASB initiated a process of simplifying and improving the accounting requirements for financial instruments through a revision and ultimate replacement of IAS 39. Together with the FASB, it commissioned the FCAG (2009:1) to advise on the standard-setting implications of the financial crisis and potential changes to the global regulatory environment. The improvement and simplification of accounting requirements for financial instruments are discussed in sections 3.4.1 and 3.4.2 while the recommendations of the FCAG (2009) are discussed in section 3.4.3.

3.4.1 Improving accounting standards for financial instruments

Until the publication of IFRS 9 in November 2009, the international accounting requirements for financial instruments were outlined in three standards, namely *IAS 32 Financial Instruments: Presentation*, *IAS 39 Financial Instruments: Recognition and Measurement* and *IFRS 7 Financial Instruments: Disclosures*. Before the publication of IFRS 9, IAS 39 was the standard that outlined the measurement requirements for financial instruments.

IAS 39 was published in 1999 as an interim solution as the IASB's predecessor, the IASC, was under pressure to meet the deadline for the completion of a core set of standards required to enable IOSCO to endorse IAS (Camfferman & Zeff, 2006). The development of IAS 39 took eleven years as there was no existing guidance at the time and the IASC board members lacked financial instruments accounting expertise (Camfferman & Zeff, 2006). The rapid pace in financial innovation (IMF, 2008) also led to serious disagreements among stakeholders on the appropriate way of accounting for financial instruments.

Camfferman and Zeff (2006) chronicle how the development of IAS 39 had a lasting impact on international accounting standard-setting. Japan was concerned about the use of fair value accounting, the BCBS was worried about the impact of accounting on banks' capital adequacy ratios, France argued for macro-hedging and Australia, the UK and the US wanted full fair value accounting.

The prominent role of staff seconded by Canada and the US chairing of steering committee meetings created a perception of a North American alliance (Camfferman & Zeff, 2006). The final text of IAS 39 was based mostly on US GAAP, a fact resented by other IASB regions. The EC endorsed IAS 39 for use within the EU but with modified fair value option and hedge accounting requirements (Camfferman & Zeff, 2006). The IASB subsequently revised IAS 39 several times after its publication to issue additional guidance and address drafting inconsistencies (IASB, 2008a).

In 2004, the IASB set up a working group to address the difficulties faced by constituents in applying IAS 39 (IASB, 2008a). The global financial crisis forced the IASB to accelerate the project resulting in the issuance of a discussion paper (IASB, 2008a) in March 2008. The discussion paper (IASB, 2008a) solicited constituents' views on how financial instruments should be measured. The publication of a discussion paper (IASB, 2008a) is a voluntary step in IASB standard-setting due process.

In the discussion paper (IASB, 2008a), the IASB argues that stakeholders complain that the many ways in which financial instruments are measured have made IAS 39 a very complex standard. IAS 39 requires most financial instruments to be measured at fair value but subsequent measurement depends on how the instrument has been classified (IASCF, 2009b). Financial instruments classified as loans and receivables and held-to-maturity assets are subsequently measured at amortised cost using the effective interest rate method. Financial instruments classified as available-for-sale and fair value through profit and loss are subsequently measured at fair value but with different treatments of gains and losses (IASCF, 2009b).

The discussion paper (IASB, 2008a) solicited views on the measurement of financial instruments, immediate approaches to addressing measurement challenges and long-term solutions. The IASB expressed preference for full fair value accounting as a long-term solution while acknowledging the complexity of financial instruments. The commenting period on the discussion paper (IASB, 2008a) closed in September 2008. In October 2008, before the IASB could consider the comment letters to the discussion paper, the EC requested that IAS 39 be urgently amended to bring IFRS into line with US GAAP (IASB, 2008b; IASCF, 2009a).

3.4.2 The amendment of IAS 39 - reclassification of financial assets

According to Bengtsson (2011), the global financial crisis re-ignited the EC's interest in standard-setting because of its impact on financial stability. The September 2008 collapse of Lehman Brothers, a large US financial institution, forced the EC to focus on asset classification requirements in IFRS. The EC requested the IASB to amend IAS 39 to provide a "more level playing field" (IASCF, 2009a:25). The EC wanted the IASB to amend IAS 39 to match the reclassifications allowed in US GAAP through *Statements of Financial Accounting Standards (SFAS) 115 Accounting for Certain Investments in Debt and Equity Securities* and *SFAS 65 Accounting for Certain Mortgage Banking Activities* (IASB, 2008c).

SFAS 115 permits a financial instrument to be reclassified out of the trading category in rare situations while SFAS 65 permits a loan to be classified out of the held for sale category if the entity has the intention and ability to hold the loan for the foreseeable future or until maturity (IASB, 2008c: 10). The provisions of US GAAP make it possible for an entity to minimise its fair value losses through reclassifications. IAS 39 did not permit such reclassifications (IASB, 2008c) hence the EC argued that financial institutions applying IFRS were being forced to absorb more fair value losses than their US counterparts.

The IASB effected an amendment to IAS 39 that permitted reclassification of non-derivative financial assets out of the fair value through profit and loss category under certain conditions (IASB, 2008c). The amendment also permitted the reclassification of available-for-sale assets to the loans and receivables category if the assets met the definition of loans and receivables and the entity had the intention and ability to hold them to maturity. Although the amendment did not completely align IFRS with US GAAP because of differences in scope and impairment requirements (IASCF, 2009a; IASB, 2008c), it created the possibility that an entity applying IFRS could minimise its income statement losses by reclassifying qualifying assets out of the fair value category.

The amendment was effected without following due process (FCAG, 2009). No exposure draft was issued and no comments from constituents were invited because the IASB wanted to address "this issue urgently in the light of market conditions" (IASB, 2008c:11). The IASB only requested permission from the Trustees of the IFRS Foundation to waive due process requirements. The waiving of due process procedures was not provided for in the IFRS governance procedures at the time (FCAG, 2009). The IASB feared that the EC was going to unilaterally amend IAS 39 using its endorsement process (IASCF, 2009a). Two IASB board members dissented to the amendment of IAS 39 in part because of concerns regarding due process violation (IASB, 2008c).

The amendment was issued in October 2008 with a July 2008 retrospective effective date (IASB, 2008c). The retrospective effective date is contrary to the IASB practice of normally allowing a period of early prospective adoption with the mandatory effective date being around one year after publication (IASCF, 2009b).

Following the amendment of IAS 39, the EC requested further guidance on the application of fair value (IASCF, 2009a). The IASB responded by publishing an expert advisory panel report providing guidance on how to measure and disclose fair values in inactive markets (IASB, 2008b).

The action of the EC in pressuring the IASB is in keeping with the state's outcome responsibility as explained by Zimmermann, *et al* (2008). The waiving of due process requirements by the Trustees demonstrated the importance of oversight structures in standard-setting due process. The overriding of due process procedures damaged the credibility of the IASB and raised questions about the integrity of IFRS standard-setting due process (FCAG, 2009). The IASB and FASB established an advisory group to advise on the standard-setting implications of the global financial crisis.

3.4.3 The standard-setting implications of the crisis

The FCAG (2009) dealt with four thematic areas covering the effectiveness of financial reporting; the limitations of financial reporting, convergence of accounting standards and the independence and accountability of a standard-setter. The FCAG (2009) absolved accounting standards of blame for causing the crisis but noted weaknesses that included difficulties in applying fair value accounting in illiquid markets, delayed recognition of losses and complexity of accounting standards for financial instruments. It recommended the improvement and simplification of accounting standards for financial instruments.

On the limitations of financial reporting, the FCAG (2009) urged users of accounting information to supplement it with their own judgement and due diligence. The FCAG (2009) also urged the IASB and FASB to accelerate convergence of IFRS with US GAAP as a way of improving comparability of financial information.

The FCAG (2009) recommended improvements to the independence and accountability of the IASB to enhance the legitimacy of IFRS. It defined independence as the freedom from the undue influence of special interests and policy-makers. In this regard, the FCAG (2009) expressed concern that the EC had pressured the IASB to amend IAS 39 after the FASB had also amended *SFAS 157: Fair Value Measurement* also under pressure from the US Congress. The FCAG (2009:15) concluded that such "rapid, piecemeal, uncoordinated and prescribed changes to standards" undermine the legitimacy of IFRS.

In terms of accountability, the FCAG (2009:14) argued for oversight conducted in the "public interest" supported by appropriate due process procedures. It emphasised that failure in either oversight or due process is likely to call the legitimacy of IFRS into question. The FCAG (2009) welcomed the establishment of the Monitoring Board with the hope that it would provide the IASB with the same oversight that the SEC (2009) provides to the FASB. The FCAG (2009) also called for a permanent and independent funding structure to enhance the independence of the IASB. It recommended due process improvements to ensure that "all voices in all geographic regions have an adequate opportunity to make their views known" (FCAG, 2009:14).

The remainder of this study focuses on the oversight and due process of the IASB including their ability to enhance the legitimacy of IFRS. Oversight and due process mechanisms are discussed in the next chapter. The participation of stakeholders in due process is assessed in chapter six.

3.5 Summary and conclusions

The global financial crisis started in the US housing market and spread to the rest of the world because of the interconnectedness of financial markets. The causes of the crisis included weak regulatory oversight, poor capital buffers, poor liquidity management, excessive risk taking and financial institutions' compensation schemes based on short-term targets. The lack of regulatory oversight over the activities of the shadow financial sector led to a build-up of unnoticed systemic risks. The formal banking system evaded capital adequacy ratio requirements by investing through SIVs.

The growth of the shadow financial sector was spurred by a search for high yields in low credit quality investments which resulted in the creation of complex, structured credit products. As the products were difficult to understand, investors based their investment decisions on credit ratings. As liquidity dried up, the market for structured credit products became inactive and asset prices declined leading to valuation write-downs estimated at over US$1,4 trillion.

Several financial institutions collapsed and others were forcibly acquired under the weight of mounting losses and reduced market capitalisation. True to their outcome responsibility, governments and their central banks had to guarantee the obligations of financial institutions to save them from bankruptcy. Economic growth contracted, unemployment rose, international trade shrank and emerging markets were disrupted by currency volatility.

The inactive and illiquid markets led to questions about the validity of observable market prices. The complexity of most structured credit products led to valuation challenges. The use of valuation models also led to suspicion among participants about the exposure of entities to subprime mortgages. Critics, employing logic and rhetoric, blamed accounting standards for exacerbating the crisis and lobbyists found an opportunity to influence standards. The fair value debate changed the macroeconomic and -political environment in which IFRS standard-setting takes place. Pressure was brought to bear on the IASB to act.

The IASB published a discussion paper on financial instruments as well as an application guide for when markets are no longer active. Together with FASB, it set up the FCAG which recommended several improvements to IFRS governance and due process procedures. The FCAG exonerated IFRS for causing the crisis but recommended improvements to both IFRS and the governance and procedures of the IASB. The FCAG also urged the IASB to consider the information needs of regulators.

Following the collapse of Lehman Brothers, the EC forced the IASB to amend IAS 39 to allow the reclassification of financial assets out of the fair value category. The amendment was intended to bring IFRS into line with US GAAP. The amendment was issued without following due process which damaged the credibility of the IASB and its due process. The actions of the EC demonstrated the response of states when anticipated policy outcomes are in jeopardy. The financial crisis therefore transformed the development of IFRS from being a technical process to a politically sensitive one in need of higher levels of legitimation. The due process of IFRS standard-setting is assessed in the next chapter.

4 THE LEGITIMACY IMPLICATIONS OF THE IFRS STANDARD-SETTING DUE PROCESS

4.1 Introduction

The legitimacy challenges of IFRS were identified in chapter two as partly emanating from the standard-setting due process, the state's responsibilities and the sensitivity of certain policy fields. In search of legitimation, chapter two concluded with a proposal to combine moral legitimacy, the global governance toolbox and procedural legitimacy to create an ideal IASB due process capable of legitimating IFRS.

Chapter three dealt with the legitimacy implications of the global financial crisis and concluded that the outcome responsibilities of the state and the need to respond to the crisis have heightened sensitivities around the development of IFRS. The likely impact is that stakeholders from all regions will pay more attention to IFRS standard-setting due process. The global financial crisis has changed the macro environment in which IFRS standard-setting takes place. Such a change requires that the IASB be proactive in strengthening its due process.

The European Parliament (2008) argues that the financial crisis highlighted the importance of accounting standards to financial stability. It recommended that the oversight of IFRS standard-setting structures be representative of jurisdictions using or intending using IFRS and standard-setting procedures be improved to take all views into account. The European Parliament (2008) also recommended a broad-based funding structure to eliminate conflict of interest and prevent due process capture by funders.

Mattli and Buthe (2005) characterise the IASB as an agent with multiple principals, hence oversight structures play a critical role in enhancing accountability. In addition, they argue that technical expertise and funding impact on the operational and financial viability of the IASB. They also note that expertise is unevenly distributed geographically, dominated by the UK and the US. Mattli and Buthe (2005) also express concern regarding the voluntary nature of financial contributions to the IASB and their dominance by large accounting firms.

Structures, procedures and resources are a codification of power relations and due process is a trade-off relationship among them (Botzem & Quack, 2009). Due process can be viewed as a means of handling standard-setting disputes while attempting to demonstrate the transparency of the process. Botzem and Quack (2009) argue that due process allows the IASB to consult without constraining its decision-making authority as comment letters are summarised by staff who reframe their content when aggregating comments.

This chapter assesses the extent to which the IFRS standard-setting due process enhances the legitimacy of IFRS by meeting the conditions of a practical discourse. The assessment is according to Suchman's (1995) moral legitimacy, Esty's (2006) global governance toolbox and Richardson and Eberlein's (2011) procedural legitimacy. Moral legitimacy requires an evaluation of structures and procedures as proxies for less visible legitimacy evaluation targets. The toolbox is anchored on controls on corruption, systematic and sound rulemaking, transparency and public participation, and power-sharing. Procedural legitimacy requires the appropriate participation and representation of affected parties, accountability of the standard setter, deliberation of alternatives, transparency of proceedings, and an evaluation of outcomes and consequences.

This chapter is divided into three parts: standard-setting structures, procedures, and resources. The first part discusses the standard-setting structures focusing on the introduction of the Monitoring Board, the evolving role of the IFRS Foundation and the expansion of IASB membership. The allocation of seats on the Monitoring Board, the IFRS Foundation and the IASB are also assessed for representativeness.

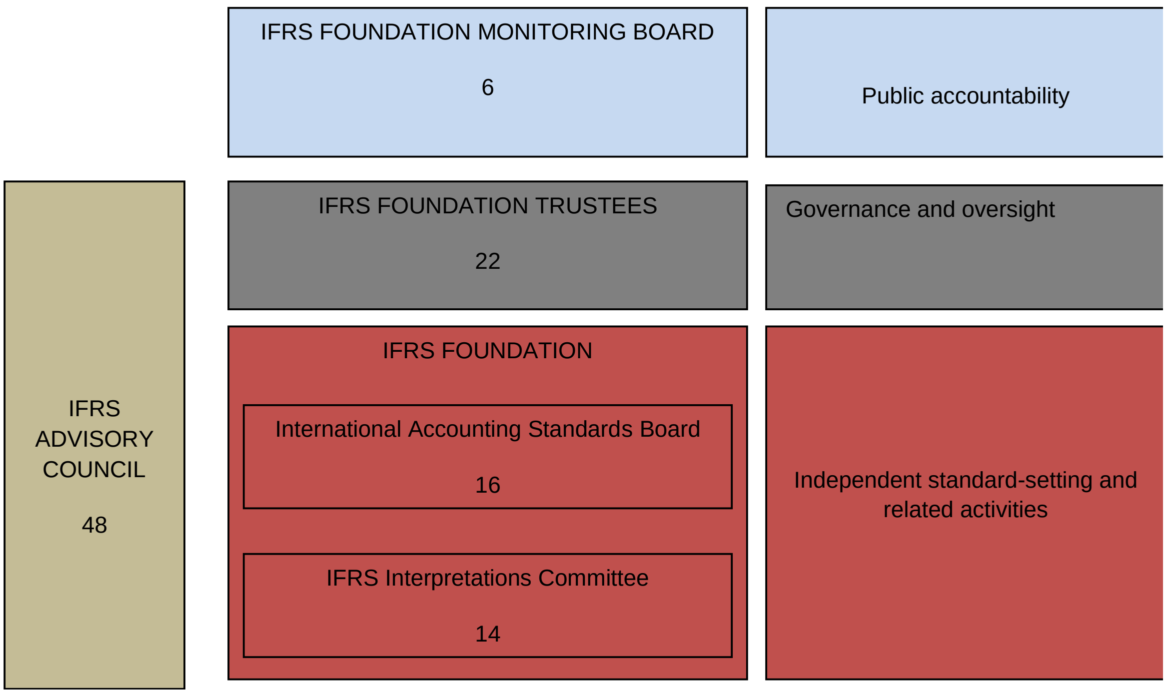
The second part of the chapter focuses on the standard-setting procedures: the steps followed to publish an IFRS. The assessment begins from the agenda-setting stage to the post-implementation review of completed projects. The requirements of procedural legitimacy supplemented by the tools in Esty's (2006) toolbox provide a framework to assess due process procedures.

The third part discusses the standard-setting resources of the IASB focusing on technical skills and funding. Weber (1978) identified technical expertise and funding as critical to the survival of bureaucracy. He argued that those who provide such expertise and funding are likely to control the bureaucracy. Such an argument, if true, has serious implications for the legitimacy of IFRS. It would violate the requirement of a practical discourse that there be no other force than that of a better argument. The chapter concludes with a summary and conclusions on the extent to which standard-setting due process enhances the legitimacy of IFRS.

4.2 The standard-setting structures

The oversight of the standard-setting process is outlined in the constitution of the IFRS Foundation (IFRSF, 2010b) which provides for a three-tier governance structure: the Monitoring Board, the IFRS Foundation and the IASB as shown in figure 4.1 below. The numerical values in the boxes refer to the maximum number of seats available in each structure. The constitution (IFRSF, 2010b) has been amended six times since its initial adoption in 2000 with the last three changes being made after the onset of the crisis. The changes include the establishment of the Monitoring Board, the enhancement of the role of the Trustees, the expansion of IASB and IFRIC membership and the establishment of additional advisory committees (IFRSF, 2011a; IFRSF, 2011b; IFRSF, 2012a).

Figure 4.1 Oversight of IFRS standard-setting



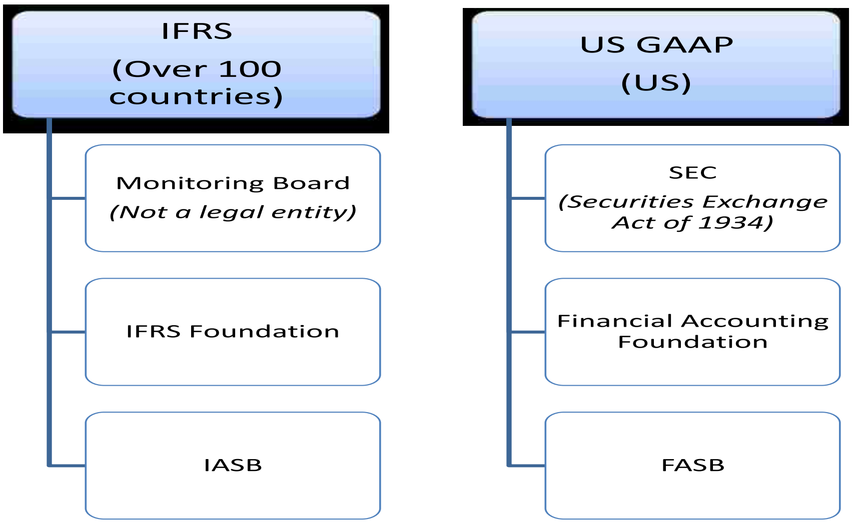
Source: IFRSF (2012a:2)

4.2.1 The Monitoring Board

The Monitoring Board was established in January 2009 with an initial membership of six (IFRSF, 2010b). The members include the two chairs of the IOSCO Technical and Emerging Markets Committees, the EC Commissioner responsible for securities markets, the Commissioner of Japan Financial Services Agency (JFSA) and the Chair of the SEC. The chair of the BCBS serves as an "observer" on the Monitoring Board. The main responsibility of the Monitoring Board is to appoint and supervise the Trustees of the IFRS Foundation (IFRSF, 2010b).

The rationale for the establishment of the Monitoring Board is to create a "formal link" of IFRS governance to those capital market authorities serving the "public interest" (IFRSF, 2011b:13). The "public interest" phrase is used eight times in the constitution (IFRSF, 2010b) without defining it. The repeated invocation rather than definition of the "public interest" phrase may be a deliberate use of rhetoric as defined by Smith, *et al* (2010). The report of the FCAG (2009) reveals the reason for establishing the Monitoring Board as the need to align the governance of the IASB with that of the FASB. The oversight of IFRS standard-setting is compared to that of the US GAAP in figure 4.2 below.

Figure 4.2 A comparison of IFRS-US GAAP oversight structure



Source: Adapted from IFRSF (2010b) and SEC (2009).

The purported alignment is flawed because the SEC (2009) is mandated by the Securities Exchange Act of 1934 while the Monitoring Board is not a legal entity (IFRSF, 2012b). The Monitoring Board has no mandate from any of the over 100 jurisdictions using IFRS, and its membership is too restricted to afford all affected parties equal opportunities to participate. Even respondents to its governance review proposals preferred expansion of its membership beyond capital market authorities (IFRSF, 2012b). The Monitoring Board dismissed the views of these respondents citing "miscomprehension" of its role and instead opted to add two rotating seats and a maximum of four new members from major emerging markets based on market capitalisation, "domestic use of IFRS" and financial contribution (IFRSF, 2012b:13).

The Monitoring Board effectively replaced the Trustees Appointments Advisory Group (TAAG) in as far as the appointment of Trustees is concerned (IASCF, 2008:35). The TAAG was chaired by Paul Volcker, former chair of the US Federal Reserve and included the chair of the IOSCO Executive Committee, chair of the FSF, the managing director of the IMF and the presidents of the African Development Bank (AfDB), Asian Development Bank (ADB), Inter-American Development Bank (IADB), ECB and the World Bank. Unlike the Monitoring Board, TAAG had nine members drawn from across the economic spectrum with each region represented by the head of the respective development bank (IASCF, 2008).

The attempt to align the governance of IFRS with that of US GAAP may be an attempt to achieve Suchman's (1995) cognitive legitimacy albeit under flawed assumptions. Before the establishment of the Monitoring Board, the four organisations constituting its membership (IOSCO, the EC, JFSA and SEC) had issued a joint press release in 2007 questioning the public accountability of the IASB (IASCF, 2009a:3). Their co-option into the Monitoring Board appears to be an attempt by the IASB to achieve pragmatic legitimacy by bowing to the demands of powerful stakeholders. Pragmatic legitimacy is unstable and it is difficult to sustain its legitimating tactics (Suchman, 1995).

4.2.2 The IFRS Foundation

The Trustees of the IFRS Foundation are appointed by the Monitoring Board for a term of three years renewable once (IFRSF, 2010b). Their composition is supposed to reflect the world's capital markets combined with geographical and professional diversity. The constitution (IFRSF, 2010b) currently provides for 22

Trustees distributed as follows: six each from the Asia/Oceania, Europe and North America regions; one each from Africa and South America; and two from any other region.

The main duties of the Trustees include the appointment and supervision of members of the IASB, the establishment of due process procedures and the financing of standard-setting activities (IFRSF, 2010b). The Trustees also appoint members of the International Financial Reporting Interpretations Committee (IFRIC) and other advisory committees.

The Trustees have a Due Process Oversight Committee (DPOC) which is not provided for in the constitution (IFRSF, 2010b) but referenced in the Due Process Handbook (IFRSF, 2012c). The main responsibility of the DPOC is to review, amend and monitor due process procedures. The DPOC also reviews the composition of working groups for “balance of perspectives” (IFRSF, 2012c:20).

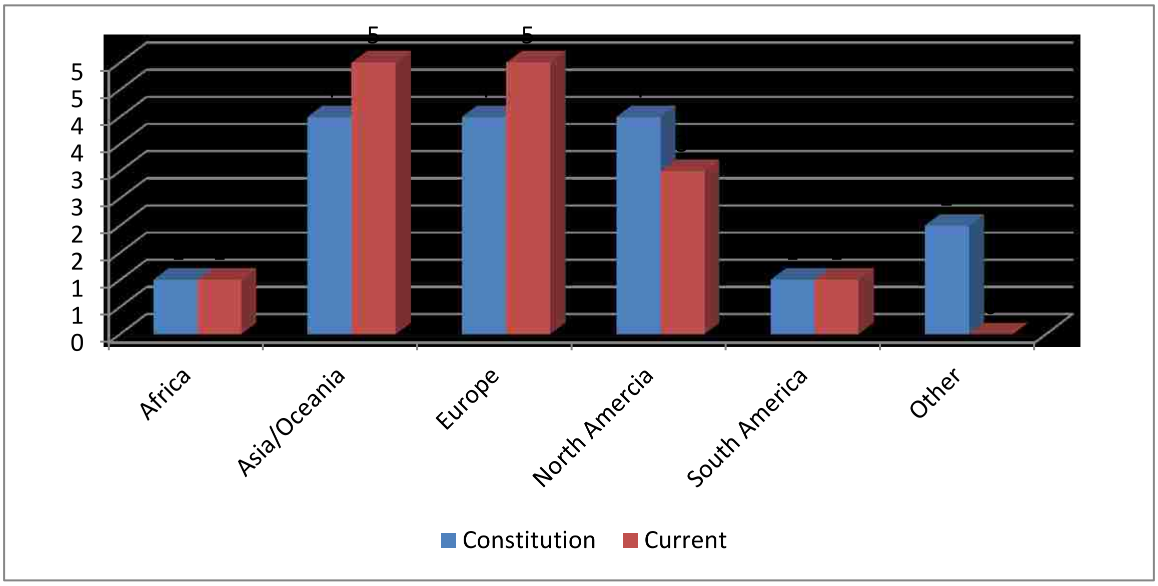
The composition of the Trustees raises two fundamental questions. The first is whether reflecting the world’s capital markets is a better way of determining the number of Trustees from each region. AOSSG (2011) uses its share of the world’s population and GDP as justification for demanding better representation in oversight structures. The Trustees have suggested that contributions to IFRS funding be aligned with a country’s proportion of GDP (IFRSF, 2012a:58) and not the size of its capital market. Some stakeholders are advocating for representation on oversight structures to be limited to those jurisdictions “using IFRS” (IFRSF, 2011b:10) as they can be defined as the affected parties.

A second fundamental question is how countries are selected from regions. For example, South Africa is the only African country with a seat among the Trustees. There is no evidence that South Africa was selected by other African countries to represent their interests and views. The process of selecting representatives is critical when it is not practical that all affected parties can participate in a practical discourse (Uhlin, 2010). The legitimacy of regional representatives, and by extension that of IFRS, can be enhanced if affected regions have the right to nominate their own representatives.

4.2.3 The IASB

The IASB is the IFRS standard-setting body whose members are appointed by the Trustees (IFRSF, 2010b). It is supposed to have 16 members with four each from the Asia/Oceania, Europe and North America regions; one each from Africa and South America; and two from any other region. Its membership was expanded from 14 to 16 members after the onset of the global financial crisis. The current distribution of seats shows that the two extra seats, apart from those specifically assigned to IASB regions, have been allocated to Asia/Oceania and Europe.

Figure 4.3 The allocation of IASB seats



Source: IFRSF (2010b, 2012a)

The IASB is supported by the IFRIC which is provided for in the constitution (IFRSF, 2010b) as a separate committee. This study considers IFRIC as an extension of the IASB as its main role is to interpret IFRS and provide guidance to users of IFRS. IFRIC members are appointed by the Trustees but with no prescription of geographical distribution. Its membership was expanded from 12 to 14 in 2007 and the current composition is seven from Europe, four from North America and three from the Asia/Oceania region (IFRSF, 2012a).

The table below shows a different allocation of IASB seats based on two assumptions: 1) that the IASB and IFRIC are one committee and 2) that the prescribed geographical allocation applicable to IASB membership applies to

IFRIC as well. The result is that Europe is over-represented by four seats through taking one each from Africa and South America and taking the other two seats that could go to any region. The Asia/Oceania and North America regions have commensurate representation.

Table 4.1 The allocation of IASB and IFRIC seats

	IASB		IFRIC		Combined		
	Constitution	Current	Proportional	Current	Ideal	Current	Difference
Africa	1	1	1	0	2	1	-1
Asia/Oceania	4	5	4	3	8	8	0
Europe	4	5	4	7	8	12	4
North America*	4	4	4	4	8	8	0
South America	1	1	1	0	2	1	-1
Other	2	0	0	0	2	0	-2
	16	**16**	**14**	**14**	**30**	**30**	**0**

Source: IFRSF (2010b, 2012a)

The constitution (IFRSF, 2010b) empowers the Trustees to appoint representatives of regulatory bodies as IFRIC observers. The EC and IOSCO currently serve as the two observers on IFRIC (IFRSF, 2012a). By assuming that the IFRIC is part of the IASB, the inclusion of IOSCO and the EC raises concerns about the independence of the standard-setting due process. Although observer status does not give voting rights, it enables the opportunity to speak at meetings and grants access to the decision makers. Such access provides opportunities for lobbying decision makers.

Another observation is that all three tiers of IFRS governance are all chaired by current and former IOSCO officials. The Monitoring Board is chaired by the Chair of the IOSCO Board, the IFRS Foundation is chaired by a former chair of the IOSCO Technical Committee and the IASB is chaired by a former vice chair of IOSCO Technical Committee (IFRSF, 2012a). The Monitoring Board is hosted and supported by IOSCO (IFRSF, 2012b).

There is also evidence (IFRSF, 2011a; IFRSF, 2012a) to suggest that the IASB is actively aligning itself with the G-20 countries. Annexure A shows that 47 seats (84%) out of the 56 available on the Monitoring Board, the IFRS Foundation and IASB are occupied by G-20 countries. Argentina, Mexico, Russia, Saudi Arabia and Turkey are the only G-20 countries using IFRS that have no seats on any of the three structures. The strategy of aligning with G-20 may give IFRS political clout but it is risky because the G-20 membership criteria, and therefore its legitimacy, is contested (G-20, 2007). The G-20 was setup in the aftermath of the Asian financial crisis and only incorporates "systemically significant economies" (G-20, 2007:8). It is an exclusive club of the economies that are considered important for financial stability.

4.2.4 Advisory committees

The IFRS Advisory Council is the only advisory committee currently provided for in the constitution (IFRSF, 2010b). Its responsibilities include advising the IASB on agenda decisions and priorities, and giving advice to both the IASB and the Trustees. Members of the Council are appointed by the Trustees but there is no geographical breakdown prescribed although geographical diversity is a consideration. Members of the Council pay for their cost of participating at meetings. The EC, JFSA and SEC have observer status on the Council (IFRSF, 2012a).

The Small and Medium Enterprises Implementation Group (SMEIG) is a recent committee assisting with the implementation of IFRS for SMEs (IFRSF, 2011a). The Emerging Economies Group (EEG) is also a recent committee chaired by China (IFRSF, 2012a). Both SMEIG and EEG can be described as ad hoc committees with limited life spans as they are not explicitly provided for in the constitution (IFRSF, 2010b) of the IFRS Foundation. They were established after the onset of the global financial crisis.

4.2.5 The allocation of IFRS governance seats

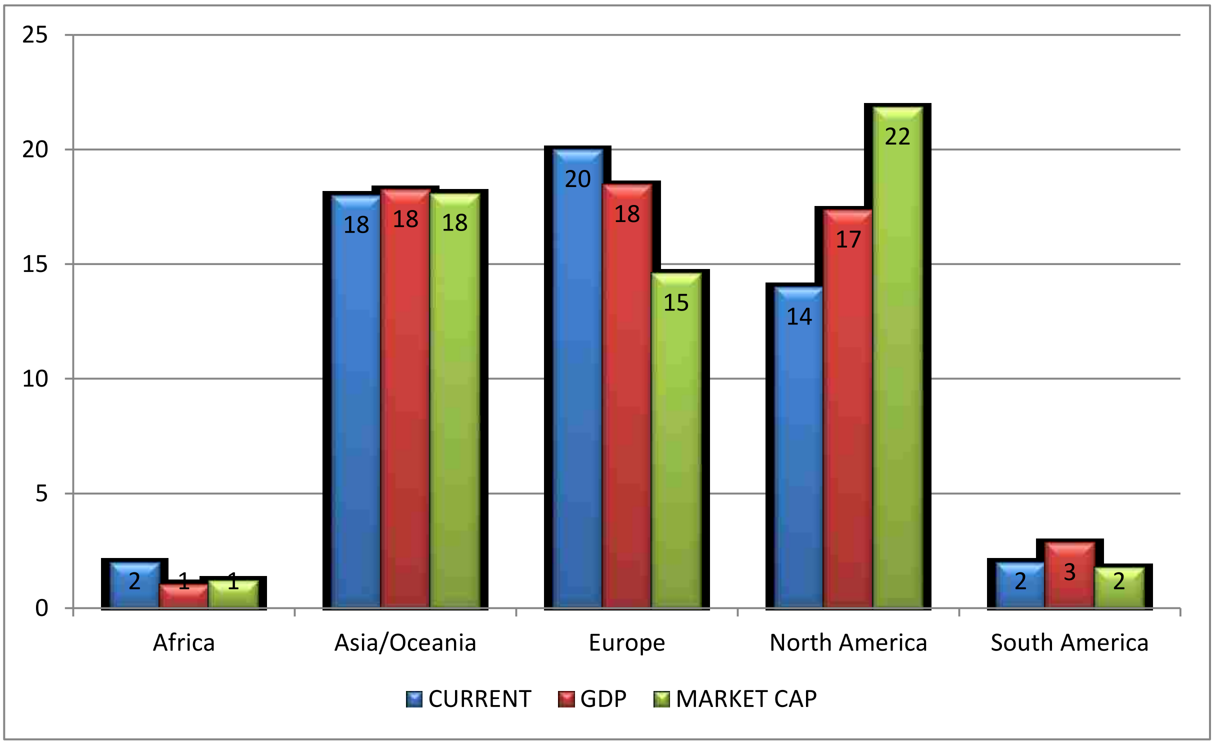
The IFRS Foundation strategy review (IFRSF, 2011b:15) conceded that future changes to the geographical distribution of seats on IFRS governance structures are likely to reflect the global adoption of IFRS. It is a realisation that the continued exclusion of countries using IFRS from governance structures may jeopardize the harmonisation of accounting standards. This view is reinforced by the emphasis of the Trustees on developing mechanisms to report on countries diverging from IFRS as issued by the IASB (IFRSF, 2011b).

As discussed in section 2.3, 145 countries use IFRS with 101 requiring or permitting them to be used by unlisted companies. In addition, 15 of the countries have no stock exchanges but require or permit the use of IFRS. This evidence supports the argument for expanding the membership of the Monitoring Board beyond capital market authorities. The size of a capital market depends on the volume of listed shares and their prices which may be distorted when markets are inactive (IASCF, 2009b). The use of GDP to allocate seats on IFRS governance structures, as opposed to market capitalisation, may be more appropriate as the Trustees are already considering aligning funding contributions to a country's proportion of GDP (IFRSF, 2011b). Besides, GDP encompasses all measurable economic activity within a jurisdiction as opposed to focusing on the values of listed entities only.

Figure 4.4 below compares the current distribution of seats on the Monitoring Board, the Foundation and the IASB to a hypothetical distribution based on six-year averages (2006-2011) of GDP and market capitalisation of the 145 countries permitting or requiring the use of IFRS. Six-year averages are necessary to neutralise the impact of temporary but significant changes in GDP values as a result of the global financial crisis. The data is from the World Bank (no date) development indicators database.

Figure 4.4 below compares the current allocation of all seats on IFRS governance structures to revised allocations based on either GDP or market capitalisation but limited to countries using IFRS. When compared to current allocation, Africa and Europe are over-represented at the expense of North America. The allocation for the Asia/Oceania region would stay the same while the South American region would gain one seat based on GDP but stay the same based on market capitalisation.

Figure 4.4 A comparison of the allocation of IFRS governance seats



Source: The World Bank (no date)

Table 4.2 compares the current allocation of seats in each structure to a re-allocation based on a proportion of GDP. The Asia/Oceania region would lose one seat on the Monitoring Board to the North American region. Europe and North America would gain one seat each on the IFRS Foundation at the expense of Africa that would not qualify for representation. The Africa region would also lose its seat on the IASB to North America. Europe would be the biggest loser on IFRIC representation, giving up three seats.

Table 4.2 The allocation of IFRS governance seats according to GDP

IFRS REGION	INDICATOR		DISTRIBUTION OF SEATS										
	GDP		Monitoring Board		IFRS Foundation		IASB		IFRIC		TOTAL		
	Value (US$bn)	% of total	Current	GDP	Current	GDP	Current	GDP	Current	GDP	Current	GDP	Variance
Africa	1,024	2%	0	0	1	0	1	0	0	0	2	1	1
Asia/Oceania	17,766	31%	3	2	7	7	5	5	3	4	18	18	-0
Europe	17,981	32%	2	2	6	7	5	5	7	4	20	18	2
North America	16,898	30%	1	2	6	7	3	5	4	4	14	17	-3
South America	2,785	5%	0	0	1	1	1	1	0	1	2	3	-1
Other			0	-	1	-	1	-			2	-	2
Total	**56,454**	**100%**	**6**	**6**	**22**	**22**	**16**	**16**	**14**	**14**	**58**	**58**	**0**

Source: The World Bank (no date)

North America would be the overall winner if either GDP or market capitalisation alone were to be used to re-allocate seats. The region would get three more Trustees seats based on market capitalisation. It is the only region with a market capitalisation higher than its GDP, reflecting the size and influence of the US capital markets. The size of its capital markets is driven by the US tradition of using stock exchange listings to raise capital as well as the listing of foreign firms on US stock exchanges (Martinez-Diaz, 2005). In contrast, both Asia/Oceania and Europe have higher GDP values than market capitalisation. A number of other regional financial centres including Hong Kong, Luxembourg, Singapore, South Africa, Switzerland and the UK have market capitalisations that are higher than their GDP.

Table 4.3 The allocation of IFRS governance seats according to market capitalisation of stock exchanges

IFRS REGION	INDICATOR		DISTRIBUTION OF SEATS										
IFRS Region	Market Capitalization		Monitoring Board		IFRS Foundation		IASB		IFRIC		TOTAL		
	Value (US$bn)	% of total	Current	Market Cap	Current	Market Cap	Current	Market Cap	Current	Market Cap	Current	Market Cap	Variance
Africa	1,014	2%	0	0	1	0	1	0	0	0	2	1	1
Asia/Oceania	15,142	31%	3	2	7	7	5	5	3	4	18	18	-
Europe	12,225	25%	2	2	6	6	5	4	7	4	20	15	5
North America	18,676	38%	1	2	6	8	3	6	4	5	14	22	-8
South America	1,481	3%	0	0	1	1	1	0	0	0	2	2	-
Other			0	-	1	-	1	-	0	-	2	-	2
Total	**48,538**	**100%**	**6**	**6**	**22**	**22**	**16**	**16**	**14**	**14**	**58**	**58**	**0**

Source: The World Bank (no date)

The standard-setting structures are just a part of the standard-setting due procedures. The standard-setting procedures are also important in enhancing or inhibiting the legitimacy of IFRS.

4.3 IFRS standard-setting procedures

The constitution (IFRSF, 2010b) requires the Trustees to establish due process procedures and monitor the IASB's compliance. The due process procedures are outlined in the Due Process Handbook (IFRSF, 2012c) while the task of compliance monitoring is performed by the DPOC. The IASB due process procedures are intended to achieve transparency, extensive consultation and accountability (IFRSF, 2012c). Transparency is to be achieved through holding IASB meetings that are open to the public, and publishing notices, drafts and comment letters on the website. Extensive consultation is achieved through soliciting written comments on drafts, public hearings and field visits, and releasing project summaries and feedback statements to explain the rationale for certain decisions (IFRSF, 2012c).

The due process procedures consist of six stages: agenda setting, project planning, discussion paper, exposure draft, IFRS publication and post-implementation review (IFRSF, 2012c). This study groups the due process procedures in figure 4.5 below into the three parts of procedural legitimacy: input, throughput and output legitimacy. Such an approach allows for a proper assessment of IFRS standard-setting due process. When supplemented by Esty's (2006) toolbox and the moral legitimacy of Suchman (1995), such a framework ensures an assessment that interrogates the requirements of a practical discourse as proposed by Habermas (1973).

Figure 4.5 The IFRS due process procedures

DUE PROCESS STAGES						
	Agenda	**Project Planning**	**Discussion Paper**	**Exposure Draft**	**IFRS Publication**	**Post completion**
Source of input	• Trustees • IFRS Advisory Council • IFRIC • Staff • Stakeholders	• Staff	• Staff • Other standard-setters	• Staff • Discussion papers • IFRS Advisory Council • IFRIC • Stakeholders	• Staff	• Staff • Stakeholders
Comment Period			• 120 days	• 120 days		
Balloting	• Simple majority		• Simple majority	• Nine votes	• Nine votes	
Comments	• Three-yearly public consultation recently introduced	• Allocation of project resources	• Not compulsory • May be followed by field tests, round tables and public hearings	• Mandatory step • Main form of consultation • Available on website • Public comments summarised by staff for IASB members	• Project summary and feedback statement • Analysis of likely effects	• Two years after effective date of IFRS • Emerging issues referred to IFRIC

Source: Adapted from IFRS Foundation Due Process Handbook (IFRSF, 2012c).

4.3.1 Input legitimacy

The analysis of input legitimacy in chapter two concluded that the participation of affected parties was essential. This section is concerned about assessing opportunities for participation. The actual participation of affected parties is dealt with in chapter six. Participation opportunities exist during agenda setting, publication of consultation documents and consultation meetings such as public hearings, field visits and field tests.

4.3.1.1 Agenda setting and project planning

Agenda setting is the first step in the IFRS due process and is informed by input from staff, the IFRS Advisory Council, IFRIC and other stakeholders. Standard-setters with formal liaison relationships with the IASB contribute to agenda setting through their research outputs because of their “sufficient expertise, time and staff resources” (IFRSF, 2012c:8). These standard-setters are from Australia, New Zealand, Canada, France, Germany, Japan, the United Kingdom and US together with the Technical Expert Group of EFRAG (IFRSF, 2012c:18). The IASB has informal liaisons with other national standard-setters.

To widen inputs into the agenda-setting process, the IASB has initiated three-yearly public consultations on its work programme which should inform its agenda (IFRSF, 2012a). The Monitoring Board can also make agenda referrals to the IASB (IASCF, 2009c). During the IFRS governance review process, stakeholders expressed concern that such referrals might compromise the independence of the IASB (IFRSF, 2012b).

The planning phase involves the allocation of resources to projects identified by the IASB as priority (IFRSF, 2012c). Project teams and working groups are set up during project planning. This stage also involves entering into partnerships with other standard-setters especially those with formal liaison status. Partnerships can include the secondment of staff to the IASB (IFRSF, 2012c).

4.3.1.2 Discussion papers and exposure drafts

Submission of comment letters to the IASB when discussion papers and exposure drafts are published remains the most common and widely available means of participation for most stakeholders (IFRSF, 2012c). The publication of a discussion paper is not a mandatory step but is normally used to solicit early views on major projects (IFRSF, 2012c). It also serves as the first point at which all other constituents become aware of the potential development of an IFRS. A discussion paper and associated comments from stakeholders serve as input into an exposure draft (IFRSF, 2012c)

The publication of an exposure draft is a mandatory step (IFRSF, 2012c). It serves as the IASB's main form of consulting stakeholders on technical proposals. Exposure drafts together with associated comment letters from stakeholders are available on the IFRS Foundation website. Both a discussion paper and exposure draft must be exposed for public comment for a period of 120 days, but the Trustees may approve a shorter period. Depending on the comments received from constituents, the publication of an exposure draft may be followed by another exposure draft, public hearings, round tables and/or field tests (IFRSF, 2012c).

4.3.1.3 Public hearings, round tables and field visits and tests

The IASB hold public hearings and round tables to follow up on issues raised during the comment period of a consultation document (IFRSF, 2012c). Participants make presentations followed by question and answer sessions. Constituents can request public hearings with the IASB to explain their concerns especially during the comment period.

Field visits are used by the IASB to understand industry practices and the impact of proposed standards (IFRSF, 2012c). They are normally undertaken after the publication of a discussion paper or exposure draft. Participants are identified by the IASB. The IASB also conducts field tests of proposed standards when there is a need but restricts its use because of cost implications (IFRSF, 2012c).

Unlike comment letters, data on public hearings, round tables, field visits and tests are not readily available. This leaves a significant portion of the due process out of public scrutiny and thus hampers transparency.

4.3.2 Throughput legitimacy

Throughput legitimacy depends on the fairness of converting inputs into outputs and the rigour of decision-making (Richardson & Eberlein, 2011). Throughput legitimacy in IFRS standard-setting due process may be affected by the conduct of IASB meetings, controls on undue influence, analysis of comment letters, and balloting requirements.

4.3.2.1 IASB meetings

IASB meetings to discuss technical issues are open to the public and individuals may attend as observers (IFRSF, 2012c). Constituents may view and/or listen to the meetings over the internet subject to a fee to cover the cost of transmission. Summaries of decisions and webcast recordings of past meetings are available on the IFRS Foundation website.

The approach to IASB meetings seems to satisfy the openness of decision-making and availability of information required to achieve transparency under procedural legitimacy (Uhlin, 2010). The same approach satisfies the need for public and open deliberation process in Esty's (2006) toolbox.

4.3.2.2 Controls on corruption, self-dealing and undue influence

Esty (2006) recommended the disclosure of personal interests, recusal from deliberations when conflicted, disclosure of material gifts, limits on the activities of special interest lobbyists and confirmation of compliance with due process as measures to control the impact of undue influence. The IFRS Foundation has a conflict of interest policy (IFRSF, 2010a) that requires the disclosure of personal interests and gifts above £100. The policy also prohibits Trustees, IASB members and staff from benefiting from the decisions they make in the course of their duties. The monitoring of IASB compliance with due process requirements is the responsibility of the DPOC (IFRSF, 2012c).

4.3.2.3 Analysis of comment letters

The IASB considers comment letters as vital in sourcing constituents' inputs into proposed standards (IFRSF, 2012c). Commenting on draft documents is the participation tool available to all the constituents of the IASB as the cost of participation is low. Comment letters are publicly available on the IASB website unless a participant's request to keep the comments private has been granted. The technical staff summarises the key points in the comment letters for consideration by the IASB board members (IFRSF, 2012c).

Constituents have expressed concern in the past regarding how divergent comments are being handled by the IASB and the mechanism used to decide on conflicting content (IFRSF, 2011b). The Trustees are of the view that the project summaries and feedback statements address these concerns. The continued interest of constituents in submitting comment letters may depend on their perception of how their input is being considered by the IASB. Legitimacy requires the participation of all affected parties. The participation of all affected parties implies that the volume of comment letters increases. Such broad participation would seem to be at variance with the expertise-based approach adopted by the IASB (Richardson & Eberlein, 2011). To the extent that accounting standards address accounting challenges, their technical authority is necessary but not sufficient for legitimacy (Porter, 2005).

4.3.2.4 Balloting procedures

The table below shows the balloting requirements for the different decisions of the IASB. The issuance of an exposure draft, IFRS or interpretation of IFRS requires approval by at least nine of the sixteen IASB board members unlike a discussion paper that only requires a simple majority.

Table 4.4 The IASB balloting requirements

Simple majority	**Nine votes**
• Agenda and topic decisions	• Exposure draft
• Discussion paper	• IFRS
• Other discussion documents	• Interpretation of IFRS
• Administrative decisions	

Source: IFRSF (2012c:17)

Richardson and Eberlein (2011) applaud the requirement for more than simple majority support on exposure drafts and IFRSs. They argue that such voting requirements offer protection against the capture of due process by narrow interests.

The IFRS standard-setting does not provide for an independent recourse structure when constituents do not agree with the content of a standard. While constituents can appeal to the DPOC on matters of compliance with due process (IFRSF, 2012c), there is no appeal system on technical decisions of the IASB. Constituents are expected to not adopt the IFRS if they disagree with its content. Black (2008) cited this absence of recourse as a weakness of due process.

Allowing appeals on technical matters may stall standards development but not providing for recourse leaves the IASB with unchecked authority. The alternative, not available to many states, is to amend IFRS as necessary with the unintended consequence of undermining global harmonization of accounting standards and forego the perceived benefits.

4.3.3 Output legitimacy

Output legitimacy in IFRS standard-setting due process can be assessed at either the publication of an IFRS or the post-implementation review. Output legitimacy comes from the successful discharge of policy objectives, the costs and benefits of outcomes and their redistributive effects (Richardson & Eberlein, 2011). As discussed in chapter two, states are unlikely to easily agree on policy outcomes to be pursued by the IASB as their decisions to adopt IFRS are motivated by divergent policy considerations such as crisis avoidance (Eaton, 2005), accounting reforms (Edwards, *et al;* 2006), access to aid (Lasmin, 2011) and pressure from stock exchanges (Martinez-Diaz, 2005). The FCAG (2009) also dealt with the question of whether IFRS should meet the information needs of investors or that of regulators.

4.3.3.1 Publication of an IFRS

The publication of an IFRS is accompanied by the release of a project summary and feedback statement in which the IASB explains how it dealt with the comments from stakeholders (IFRSF, 2012c). An IFRS is also accompanied by a basis for conclusions explaining the rationale of certain decisions and may also include implementation guidance where necessary. The approach adopted by the IASB to publish feedback statements and the basis for conclusions seems to satisfy Esty’s (2006) requirement for written decisions accompanied by justification. This approach creates a perception of an accountable IASB. However, Young (2003) views such an approach as an attempt to convince constituents that the standard is an outcome of a legitimate process and that all voices have been considered (Young, 2003:633).

4.3.3.2 Post-implementation reviews

A post-implementation review is conducted two years after the mandatory effective date of a standard (IFRSF, 2012c). A review is used to understand unanticipated issues but also to promote consistent application of IFRS. It is normally limited to implementation issues identified as contentious during the development process. A review is not used to assess constituents' achievement of their heterogeneous policy objectives or the wider society implications of applying a particular IFRS. Although it is difficult for IFRS to achieve output legitimacy through fulfilling broader policy objectives, their ability to provide appropriate technical solutions to accounting challenges will still add to the their legitimacy (Porter, 2005). The contribution of the different parts of the IFRS standard-setting process also enhances the legitimacy of the standards. The next section analyses the role of standard-setting resources.

4.4 Standard-setting resources

Weber (1978) identified funding and technical skills as the two resources most important to the survival of a bureaucracy. Technical skills are needed to perpetuate dominance through knowledge acquired over several years of practice and difficult to replicate. According to Weber (1978), a bureaucracy will further the interests of those who provide for its survival through technical skills and funding.

4.4.1 Technical skills

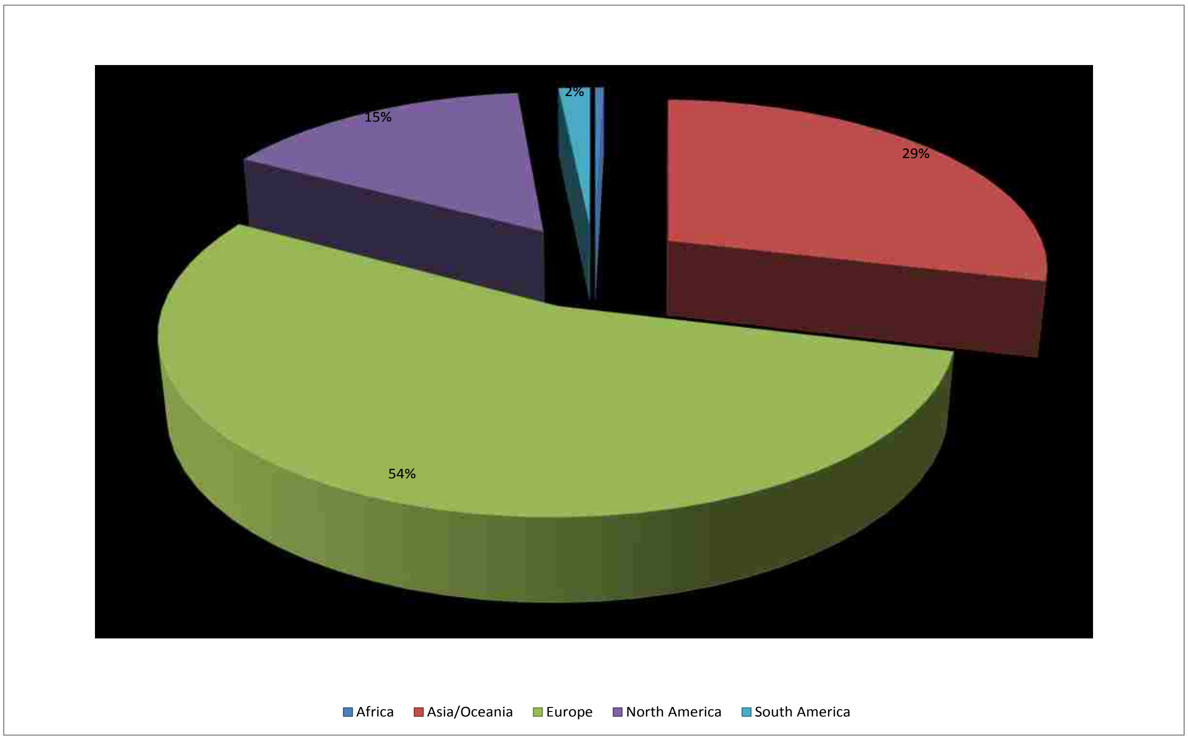
The technical staff of the IASB is responsible for the research and drafting of discussion papers, exposure drafts and standards (IASCF, 2009a:43). In 2011, the IASB had 59 technical staff from 30 countries (IFRSF, 2012a). The technical staff consists of directors, project managers, technical associates, practice fellows and industry fellows (IASCF, 2008). Directors are the senior staff while project managers lead specific projects. Technical associates are staff in their early stages of their careers seconded to the IASB to gain exposure (IASCF, 2008). Practice fellows come from accounting firms and research institutions while industry fellows are seconded from companies.

All the large international accounting firms (Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers), companies like Siemens and countries like Canada, China, Italy, Korea, Japan, UK and US second staff to the IASB to either work on specific projects or learn how the standard-setting process works (IASCF, 2008; IASCF, 2009a; IFRSF, 2011a; IFRSF, 2012a). Secondment involves a country, firm or company sponsoring a staff member to be at the IASB. The secondments are not surprising given the central role of IASB staff in due process.

4.4.2 Funding

The IFRS Foundation received funding of US$33 million during 2011 (IFRSF, 2012a). Excluding the contributions from international accounting firms (US$9 million), 54% of the remaining US$24 million funding came from the European region followed by Asia/Oceania (29%) and North America (15%) as shown in the pie chart below. The contributions from Europe include a US$6 million direct contribution from the EC (IFRSF, 2012a).

Figure 4.6 The 2011 IFRS funding contributions by region



Source: Adapted from IFRSF, 2012a

A total of 25 countries contributed in 2011 with 17 of them represented on the Monitoring Board, IFRS Foundation, IASB or IFRIC (IFRSF, 2012a). South Africa and Sweden were the only countries with seats that did not contribute. South Africa has pledged $70,000 for 2012 (IFRSF, 2012a) while Sweden is covered by the EC contribution.

Nigeria and Switzerland were the only two countries without seats on any of the structures that contributed more than US$100,000. Nigeria was the only contributor from Africa and has pledged another $100,000 for 2012 (IFRSF, 2012a). Brazil was the only contributor from South America whilst the US and Canada were the only contributors from North America apart from the international accounting firms.

The Trustees (IFRSF, 2011b) are concerned about the possible lack of objectivity when dealing with requests presented by funders. There are potential threats to the independence and objectivity of the IASB. To mitigate the risks, the Trustees (IFRSF, 2011b) intend to expand the financing base and secure long-term commitments of publicly sponsored funding. The Trustees prefer funding to come from levies relative to a country's GDP with a target to get all G-20 countries to pay their share (IFRSF, 2011b:22). It is worth noting that representation on governance structures is based on market capitalisation, funding is to be linked to GDP and continued membership on the Monitoring Board is to be based on the use of IFRS.

4.5 Summary and conclusions

The structures, procedures and resources of the IFRS standard-setting due process have been assessed according to moral legitimacy, the governance toolbox and procedural legitimacy. Such a combination provides a framework that assesses adherence to the requirements of a practical discourse capable of legitimating its outcomes.

The allocation of seats on the Monitoring Board, IFRS Foundation and the IASB was assessed for representativeness. The conclusion is that the membership of the Monitoring Board, currently limited to capital market authorities, falls short of the representation of all affected as required in a practical discourse. The use of IFRS is not restricted to listed companies hence representation of diverse views is paramount. The introduction of the Monitoring Board seems to suggest that the IASB is seeking cognitive legitimacy by attempting to align its governance structure with that of the FASB albeit under wrong assumptions. The other structures have disproportionate representation of the European region.

The IASB is also courting the political endorsement of the G-20 and seems intent on getting all its members on board. The IASB governance structures are overwhelmingly dominated by G-20 countries. The BCBS is also an observer on the Monitoring Board. IOSCO and the EC are represented in IFRS oversight and can influence the content of standards contrary to repeated claims of the independence of due process. In fact, the IASB is now a standard-setting organ of IOSCO with all its three tiers of governance headed by current and former IOSCO officials. The oversight structures of IFRS standard-setting are dominated by powerful stakeholders.

The due process procedures of the IASB can afford stakeholders the opportunity to participate and influence standard-setting. The IASB has instituted a number of due process measures aimed at improving transparency and enhancing participation. IASB meetings that are open to the public, balloting requirements, availability of information on the website, the basis for conclusion and feedback statements are some of the due process procedures implemented by the IASB. These measures should enhance the legitimacy of IFRS.

Commenting on consultation documents remains the participation method available to all constituents. The unavailability of information on other participation methods such as round tables and field visits is a concern as it tends to obscure certain parts of due process. A second concern is that stakeholders represented on governance structures and standard-setters with formal liaison status have more opportunities for participation than the rest of the constituents. The due process procedures therefore do not provide equal opportunities for participation.

The IASB has also proved to be a bureaucracy with technical skills and funding playing a critical role. The technical staff plays a key role in due process as they provide input into meetings and summarise comment letters for consideration by the IASB board members. Summarising comment letters is necessary as it may be impossible for all the IASB board members to read every comment letter. Unfortunately, the summarising of comment letters can be achieved at the expense of disregarding minority views. It is not surprising that the major funders are seconding staff to the IASB.

The rest of the 145 countries requiring or permitting the use of IFRS, excluded from decision-making structures, have a chance to influence the content of IFRS. Submitting comment letters to the IASB has been found to be effective under certain conditions. Chapter six analyses the participation of stakeholders in the development of IFRS 9 and IFRS 13. These two standards deal with the issues at the heart of the global financial crisis. The next chapter explains the research method used to analyse participation in the development of IFRS 9 and IFRS 13.

5 RESEARCH METHODOLOGY

5.1 Introduction

The purpose of this study is to establish the legitimacy of IFRS through an assessment of the participation of affected parties in the due process of IFRS standard-setting. One of the conditions for a practical discourse capable of legitimating its outcomes is that all affected parties, as free and equal participants, must have equal opportunities to influence the outcome (Habermas, 1973).

Uhlin (2010) noted that participation has cost implications and involves both the quality and quantity of participation. The capacity of constituents to engage in the discourse is paramount. The approach adopted for this study focuses on the quantity rather than the quality of participation. The intention is to assess the participation of the different IASB geographic regions and interest groups.

This chapter discusses the research design in terms of its appropriateness, prior research and its strengths and weaknesses that may affect the interpretation of the results. This chapter also details the methodology including how the research design has been applied to this study and the justification for such an approach. The sources, quality and completeness of data are also discussed. The approach to analysing the data is explained.

5.2 Research design

This study uses descriptive statistics to analyse constituent participation in IFRS standard-setting due process. Descriptive statistics are used to summarise properties of a variable such as location, dispersion and shape (Hirschberg, Lu & Lye, 2005). The mean and median are the most common methods used to describe location while standard deviation is the most common measure of dispersion. Other methods include minimum and maximum to measure absolute values and skewness and kurtosis to measure distribution (Hirschberg, *et al;* 2005). Tables and graphs are also used to present data.

Constituent participation in standard-setting has been studied by several authors (Durocher, Fortin & Cote, 2007; Georgiou, 2004; Georgiou, 2010; Hansen, 2011; Larson, 2002, Larson, 2007; Larson & Herz, 2011; Sutton, 1984; Tandy & Wilburn, 1992; Watts & Zimmerman, 1978). Watts and Zimmerman (1978) developed a positive accounting theory through which they argue that firm size and the costs of complying with proposed standards affect the likelihood of participation in due process. According to Watts and Zimmerman (1978), standard-setters must expect firms to continue participating for as long as proposed standards have potential impact on the firms' cash flow.

Sutton (1984) studied participation in the UK and the US from a political angle as he viewed accounting standards as regulations that restrict accounting choices and force disclosure of information. He concluded that participation in standard-setting is influenced by the cost of participation, the perceived benefits and the probability of influencing the decision. Sutton (1984) describes participation in standard-setting as lobbying since affected parties attempt to influence the content of standards. The word lobbying is used in this study in the same context.

Durocher, Fortin and Cote (2007) studied the participation of users in Canadian standard-setting due process. They classify reasons for participation in standard-setting into three groups: the positive accounting theory group (PATG), the economic theory of democracy group (ETDG) and the coalition and influence group (CIG). The PATG is about economic consequences and participation is driven by a desire to avoid adverse consequences. The ETDG resembles the views of Sutton (1984). The CIG is about coalitions among interest groups resulting in other stakeholders not participating because of a perception of due process capture by interest groups. Durocher, *et al* (2007) concluded that domination of participation by a certain interest group will reinforce perception of due process capture and hence affects the participation of other affected parties.

Georgiou (2004), building on the work of Sutton (1984), studied the methods, timing and perceived effectiveness of lobbying in the UK. He classifies lobbying methods as either direct or indirect. Direct methods include submitting comment letters, speaking at public hearings, meetings with representatives of standard-setters, and seconding staff to a standard-setter's projects. Indirect methods include media articles, submitting views to trade associations, use of external auditors, sponsoring research and making representations to government agencies. Georgiou (2004) concluded that lobbyists employ more than one method but submitting comment letters is one of the effective methods.

Hansen (2011) studied the lobbying of the IASB and concluded that pre-exposure draft engagement with the standard-setter influences the decision to issue an IFRS while comment letters have a significant impact on the final standard. Hansen (2011) argues that the ability to influence the IASB increases when the information is considered credible. In addition, participants from countries with large capital markets are more able to secure an audience with the IASB than their counterparts from countries with small capital markets. Hansen (2011) also found that dissenting IASB board members tend to echo the views of participants from their home countries underscoring the importance of representativeness.

Tandy and Wilburn (1992) studied the participation of affected parties in the standard-setting of the FASB. Their study employed research questions aimed at establishing 1) the standard which elicited the highest levels of participation, 2) the extent of participation of various constituent groups and 3) the extent of participation of constituent groups affected by the standard under consideration. They classified participants as industry, public accounting, securities, banking, academia, government, law and other. Tandy and Wilburn (1992) used the descriptive statistics of mean, median and standard deviation techniques to analyse the participation levels of different interest groups.

Larson (2002) used the median to explore the participation of different constituent groups in the due process of the IASC's Standing Interpretations Committee (SIC). He also used research questions to analyse comment letters according to respondents' names, interest groups and country. Interest groups were identified as IASC member bodies, standard-setters, public accounting firms (auditors), accounting organisations, non-banking companies and their associations, banking interests, securities, law, academic, financial executives and other.

In a follow-up study of IFRIC, Larson (2007) focused on legitimacy with a particular emphasis on the participation of constituents from all geographic areas. He used research questions and analysed participation by individual organisations, interest groups, stakeholder groups and by country and region. The stakeholder groups were identified as the accounting profession, regulators, preparers, users and others. Both Larson (2002) and Larson (2007) considered the absolute number of comment letters submitted as well as expressed them as a percentage of the total submissions.

Larson and Herz (2011) analysed the submission of comment letters by academics in response to the invitation for comments from the IASB and IFRIC. Using research questions, they explored the number of comment letters submitted, the geographic origin of participants, the frequency of comment letters and the trend of comment letters over time.

This study adopts the research approach of formulating research questions and analysing comment letter submissions using quantitative analysis of mean, median and standard deviation. Such an approach has been adopted by several scholars (Larson, 2002; Larson, 2007; & Larson & Herz, 2011; Tandy & Wilburn, 1992). Tandy and Wilburn (1992) studied the FASB and the other three focused on the IASB and its predecessor, the IASC. The similarities in FASB and IASB due process make the work of Tandy and Wilburn (1992) appropriate for this study as well.

5.3 Methodology

The research focuses on the development of two standards linked to the global financial crisis: IFRS 9 and IFRS 13. IFRS 9 outlines the accounting requirements for financial instruments and is intended to ultimately replace IAS 39. In keeping with the complexity of the issues covered in the scope of the standard, IFRS 9 is being developed in three phases. The phases include classification and measurement, impairment and hedge accounting. The standard can therefore be classified as work-in-progress.

IFRS 13 deals with fair value measurements and sets the measurement for all financial transactions required by various IFRSs to be measured at fair value. The development of the standard was completed in May 2011.

The comment letters submitted during the development of IFRS 9 and IFRS 13 is discussed in sections 5.3.1 and 5.3.2 below. The comment letters are the data used to analyse the participation of constituents.

5.3.1 IFRS 9 comment letters

The data consists of 1 711 comment letters submitted to the IASB between March 2008 and October 2011. During that period, the IASB published ten consultation documents (CDs) for comment. Two were discussion papers (CD1 and CD6), one was a request for information (CD3) and the other seven (CD2, CD4, CD5, CD7, CD8, CD9 and CD10) were exposure drafts. All the comment letters except those submitted in response to the supplementary exposure draft on amortised cost and impairment (CD5), and the offsetting of financial assets and financial liabilities exposure draft (CD9) are available on the IASB website. The responses to CD5 and CD9 are available on the FASB website.

The IASB procedures allow for certain comment letters to be kept confidential at the request of a respondent. In such instances, such letters will not be part of the analysis.

Table 5.1 The consultation documents published for comment during the development of IFRS 9

CD code	Publication date	Closing date	Comment letters	Document title
CD1	03/2008	09/2008	165	DP 2008 Reducing complexity in reporting financial instruments
CD2	07/2009	09/2009	246	ED/2009/7 Financial Instruments: classification and measurement
CD3	06/2009	09/2009	89	RFI 2009 Request for information (expected loss model) Impairment of financial assets: expected cash flow approach
CD4	11/2009	06/2010	192	ED/2009/12 Financial instruments: amortised cost and impairment
CD5	01/2011	04/2011	215	Supplement to ED/2009/12 Financial instruments: amortised cost and impairment
CD6	06/2009	09/2009	123	DP/2009/2 Credit risk in liability measurement
CD7	05/2010	07/2010	138	ED/2010/4 Fair value option for financial liabilities
CD8	12/2010	03/2011	247	ED/2010/13 Hedge accounting
CD9	01/2011	04/2011	165	ED/2011/1 Offsetting financial assets and financial liabilities
CD10	08/2011	10/2011	131	ED/2011/3 Mandatory effective date of IFRS 9
			1 711	

5.3.2 IFRS 13 comment letters

The development of IFRS 13 was initiated before the global financial crisis with the publication of a discussion paper (CD11) in November 2006. This was followed by the publication of two exposure drafts (CD12 and CD13) in May 2009 and June 2010. A total of 387 comment letters were submitted and are available on the IASB website.

Table 5.2 The consultation documents published for comment during the development of IFRS 13

CD code	Publication date	Closing date	Comment letters	Document title
CD11	11/2006	04/2007	136	Discussion paper: Fair value measurements
CD12	05/2009	09/2009	160	ED/2009/5 Fair value measurement
CD13	06/2010	09/2010	91	ED/2010/7 Measurement uncertainty analysis: Disclosure for fair value measurement
			387	

5.3.3 Analysis

The submission of comment letters was analysed based on the participation per CD, the participation of individual respondents, countries and IASB regions, and the participation of interest groups. The names of respondents were obtained from the comment letters and the lists published on the IASB and FASB websites. The country of the respondent was obtained from the address in the comment letter and in cases where no address could be located, company websites were used to establish their headquarter address. Where none could be found, such respondents were classified as international.

The interest group classification was a combination of Larson’s (2007) interest groups and stakeholder group classification. The respondents were classified according to the interest groups as explained in table 5.3 below. The use of a financial institution category was meant to isolate a particular interest group that had been worst affected by the financial crisis. It is to be expected that financial institutions would find it beneficial to participate in the development of IFRS 9 and IFRS 13 given the fair value debate.

Table 5.3 The classification of participants into interest groups

Interest group	Explanation
Academia	Universities and tertiary education institutions.
Accountancy bodies	Public accounting firms and other accountancy bodies.
Associations	Any respondent normally representing an industry or more than one firm excluding those representing financial institutions.
Corporates	Any other firm or company not classified as a financial institution or accountancy body.
Financial institutions	Any bank, hedge fund, insurance company, asset manager or finance related business including their industry associations.
Individuals	Respondents writing in their personal capacity.
National standard-setters	Any respondent with responsibility for setting accounting standards in a particular jurisdiction.
Regulators	Governments, regulators, central banks and any other respondent with regulatory oversight in their jurisdiction.

Source: Adapted from Tandy & Wilburn (1992), Larson (2002 & 2007) and Larson & Herz (2011)

The classification of countries into IASB regions follows the same approach adopted in chapter four and outlined in annexure A. The same IASB regions of Africa, Asia/Oceania, Europe, North America and South America used in chapter three have been used in this analysis.

The responses were analysed to answer five research questions as outlined below. Each of the questions is designed to explore some key issues impacting on the legitimacy of IFRS as discussed in chapters two and three.

5.3.4 Levels of participation per consultation document

The participation of all affected parties is a condition to be met by a practical discourse capable of legitimating its outcomes (Habermas, 1973). Participants must be afforded the opportunity to submit inputs.

Research question 1 (RQ1): Which request for input solicited the highest/lowest levels of constituent participation?

5.3.5 The participation of interest groups

Habermas (1990) argues that the inclusion of all affected creates the possibility of satisfying everyone’s interests. It is only when the views of all affected are considered that consensus could be deemed as valid. Practical discourse is intended to prevent others from dictating what is good for everyone, thereby achieving a fair balance of interests.

Research question 2 (RQ2): What has been the extent of participation of the different interest groups?

5.3.6 The participation of IASB regions

Due process is intended to ensure that “all voices in all geographic regions” have a chance to make their views known (FCAG 2009:14). Receiving input from all regions gives the IASB increased perceived legitimacy while making sure that other regions do not incur more costs than the benefits they will reap from applying the standards. It is possible that participation can be affected by a lack of technical and financial resources (Lasmin, 2011) and cultural factors (Zeghal & Mhedhbi, 2006).

Research question 3 (RQ3): Which IASB regions submitted the most comment letters?

Research question 4 (RQ4): Which countries and constituent groups from Africa submitted comment letters to the IASB?

Research question 5 (RQ5): Are there countries that do not use IFRS that submitted comment letters to the IASB? Countries that use IFRS are listed in annexure A.

5.4 Limitations

Georgiou (2004) outlined other participation methods which are difficult to study or observe. The IASB due process procedures show that there are other participation methods such as presenting to IASB members, field tests, round tables and public hearings for which no data is publicly available. Submitting comment letters is one of the many methods of participation. An analysis of comment letters alone is likely to understate the extent of participation in the development of an IFRS.

Not all comment letters are publicly available, as some respondents can request that their letters be kept confidential. In such cases, not all comment letters will count towards participation. In addition, comment letters have a submission deadline and must be submitted before the deadline in order to be considered by the IASB board members. The IASB still accepts and publicly displays all letters including late submissions. In such cases, the analyses include letters that were never considered by the IASB.

The classification of respondents into interest groups relies on considerable judgement and verification against other sources of evidence. For example, some countries use their accountancy bodies as national standard-setters. It is possible that such respondents may be classified as accountancy bodies when they should have been classified as national standard-setters.

5.5 Summary and conclusion

This chapter has outlined the research methodology to be applied in the analysis of participation in the development of IFRS 9 and IFRS 13. Participation of affected parties is a condition to be met by a practical discourse capable of legitimating its outcomes.

Descriptive statistics is used in chapter six to analyse the participation of constituents in IFRS standard-setting due process. The same research design has been applied by several other scholars in the past. Descriptive statistics is used in conjunction with five research questions that are answered during the analysis.

The analysis of participation is limited to comment letters as they are publicly available. The limitation is that participation through other methods such as meetings with IASB board members, round tables, field visits and field tests is excluded from the analysis. It is also possible that some comment letters could be kept private at the request of the participants. Such letters would not be part of the analysis. Despite the limitations, analysis of comment letters is still a valid way of assessing participation in standard-setting due process.

6 ANALYSIS OF RESEARCH FINDINGS

6.1 Introduction

The literature review in chapter two highlighted the legitimacy challenges of the financial reporting “law” called IFRS. For this “law” to be legitimate, IFRS standard-setting due process should afford participation opportunities for affected parties. Chapter four assessed the extent to which the structures, procedures and resources of the IFRS standard-setting due process impact the legitimacy of IFRS.

This chapter analyses the participation of affected parties during the development of IFRS 9 and IFRS 13. Chapter five discussed the research design and the methodology to be applied in analysing the participation of affected parties in IFRS standard-setting due process. This chapter applies the methodology to analyse the submission of comment letters to the IASB during the development of IFRS 9 and IFRS 13.

6.2 Constituent participation in the development of IFRS 9

The development of IFRS 9 is divided into three phases: classification and measurement, impairment and hedge accounting. Only the classification and measurement phase had been completed at the time of this study.

The development of IFRS 9 also involved the amendment of the presentation and disclosure requirements of financial instruments in IAS 32 and IFRS 7 respectively. Some of the consultation documents (CD) analysed in this study also resulted in the amendment of the two standards.

6.2.1 Overall participation

Ten CDs were published between March 2008 and August 2011. Two were discussion papers (CD1 and CD6), one was a request for information (CD3) and the other seven were exposure drafts. The seven exposure drafts dealt with accounting issues spread across all three phases of IFRS 9. A request for information is not a normal IFRS standard-setting due process document. The gathering of information is normally achieved by the publication of a discussion paper.

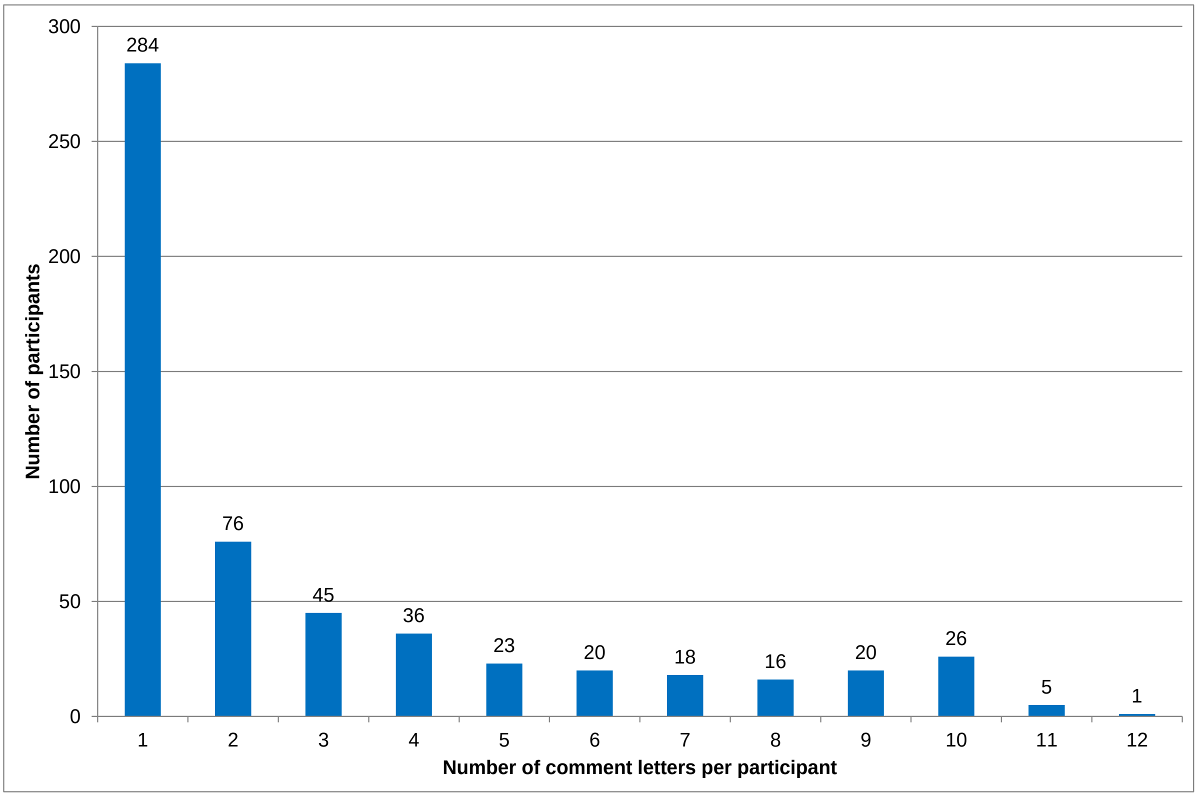
Three CDs (CD2, CD5 and CD8), all exposure drafts and covering all three phases, had responses exceeding 200 comment letters with CD8 recording the maximum response rate of 247 comment letters. The minimum response was 89 comment letters received in respect of CD3, a request for information on the expected loss model. The mean response rate was 171 comment letters with a median of 165. Sixty per cent of the CDs had response rates below the mean of 171. The response rates to all the ten CDs had a standard deviation of 53 comment letters.

Table 6.1 The number of comment letters submitted to the IASB during the development of IFRS 9

CD code	Publication date	Comment letters		Document title
		Number	% of total	
CD1	03/2008	165	10%	DP 2008 Reducing complexity in reporting financial instruments
CD2	07/2009	246	14%	ED/2009/7 Financial Instruments: classification and measurement
CD3	06/2009	89	5%	RFI 2009 Request for information (expected loss model) Impairment of financial assets: expected cash flow approach
CD4	11/2009	192	11%	ED/2009/12 Financial instruments: amortised cost and impairment
CD5	01/2011	215	13%	Supplement to ED/2009/12 Financial instruments: amortised cost and impairment
CD6	06/2009	123	7%	DP/2009/2 Credit risk in liability measurement
CD7	05/2010	138	8%	ED/2010/4 Fair value option for financial liabilities
CD8	12/2010	247	14%	ED/2010/13 Hedge accounting
CD9	01/2011	165	10%	ED/2011/1 Offsetting financial assets and financial liabilities
CD10	08/2011	131	8%	ED/2011/3 Mandatory effective date of IFRS 9
		1 711		

The IASB received 1 711 comment letters from 570 participants representing an average of three letters per participant. This implies that on average, participants submitted comment letters to only three of the ten CDs published during the development of IFRS 9. Figure 6.1 shows the number of participants and the number of comment letters per participant.

Figure 6.1 The number of comment letters per participant



There were 32 participants (6%) that submitted ten or more comment letters. A total of 129 participants (23%) submitted at least five comment letters each. There were 157 participants (22%) that submitted between two and four comment letters each while 284 participants (50%) only submitted one comment letter. About half (286) of the participants submitted 83% (1 426) of the comment letters.

The 32 participants that submitted ten or more comment letters are listed in table 6.2 below. They were mainly national standard-setters (32%) and financial institutions (29%).

Table 6.2 Participants that submitted ten or more comment letters

Participant	Country	IASB region	Interest group	Comment letters
South African Institute of Chartered Accountants	South Africa	Africa	National standard-setter	12
Accounting Standards Board	United Kingdom	Europe	National standard-setter	11
ACTEO, AFEP, MEDEF	France	Europe	Association	11
Australian Accounting Standards Board	Australia	Asia/Oceania	National standard-setter	11
European Insurance CFO Forum	Europe	Europe	Association	11
Institute of International Finance	United States	North America	Financial Institution	11
AFRAC	Austria	Europe	National standard-setter	10
British Bankers' Association	United Kingdom	Europe	Financial Institution	10
BUSINESSEUROPE	Belgium	Europe	Association	10
Canadian Accounting Standards Board	Canada	North America	National standard-setter	10
Canadian Bankers Association	Canada	North America	Financial Institution	10
CFA Institute	United States	North America	Association	10
Dutch Accounting Standards Board	Netherlands	Europe	National standard-setter	10
EFRAG	Belgium	Europe	National standard-setter	10
Ernst & Young	United Kingdom	Europe	Accountancy	10
European Banking Federation	Belgium	Europe	Financial Institution	10
F.Hoffmann-La Roche Ltd	Switzerland	Europe	Corporate	10
FEE	Belgium	Europe	Accountancy	10
French Banking Federation	France	Europe	Financial Institution	10
German Accounting Standards Committee	Germany	Europe	National standard-setter	10
Hong Kong Institute of Certified Public Accountants	Hong Kong	Asia/Oceania	Accountancy	10
HSBC Holdings PLC	United Kingdom	Europe	Financial Institution	10
Institute of Chartered Accountants in England & Wales	United Kingdom	Europe	Accountancy	10
Japanese Institute of Certified Public Accountants	Japan	Asia/Oceania	Accountancy	10
KPMG	United Kingdom	Europe	Accountancy	10
Malaysian Accounting Standards Board	Malaysia	Asia/Oceania	National standard-setter	10
Mazars	France	Europe	Accountancy	10
National Australia Bank	Australia	Asia/Oceania	Financial Institution	10
PricewaterhouseCoopers	United Kingdom	Europe	Accountancy	10
Singapore Accounting Standards Council	Singapore	Asia/Oceania	National standard-setter	10
SwissHoldings	Switzerland	Europe	Association	10
UBS	Switzerland	Europe	Financial Institution	10
Total				**327**

Almost two-thirds (65%) of the 32 participants were from Europe followed by the Asia/Oceania region (19%), North America (13%) and Africa (3%). There were no participants from South America that submitted ten or more comment letters. The South African Institute of Chartered Accountants (SAICA) was the only participant to submit 12 comment letters. The European Insurance CFO Forum, the Institute of International Finance, the joint French business associations

(ACTEO/AFEP/MEDEF) and the national standard-setters of Australia and the UK were the only participants to submit 11 comment letters each.

6.2.2 Participation by interest groups

The classification of participants into interest groups was explained in chapter five. The identified interest groups are financial institutions, national standard-setters, corporates, associations, academia, accountancy bodies, regulators and individuals. Figure 6.2 shows the breakdown of the 570 participants that submitted comment letters during the development of IFRS 9 by interest group.

Figure 6.2 The breakdown of participants by interest groups

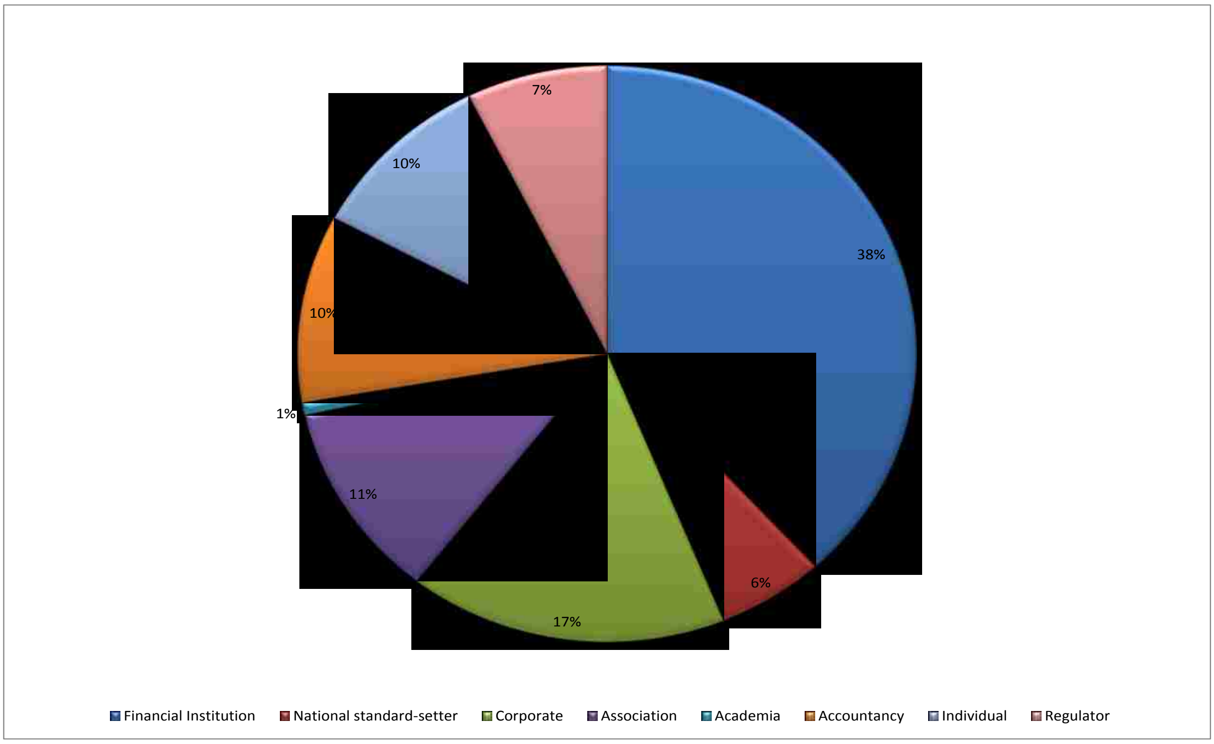


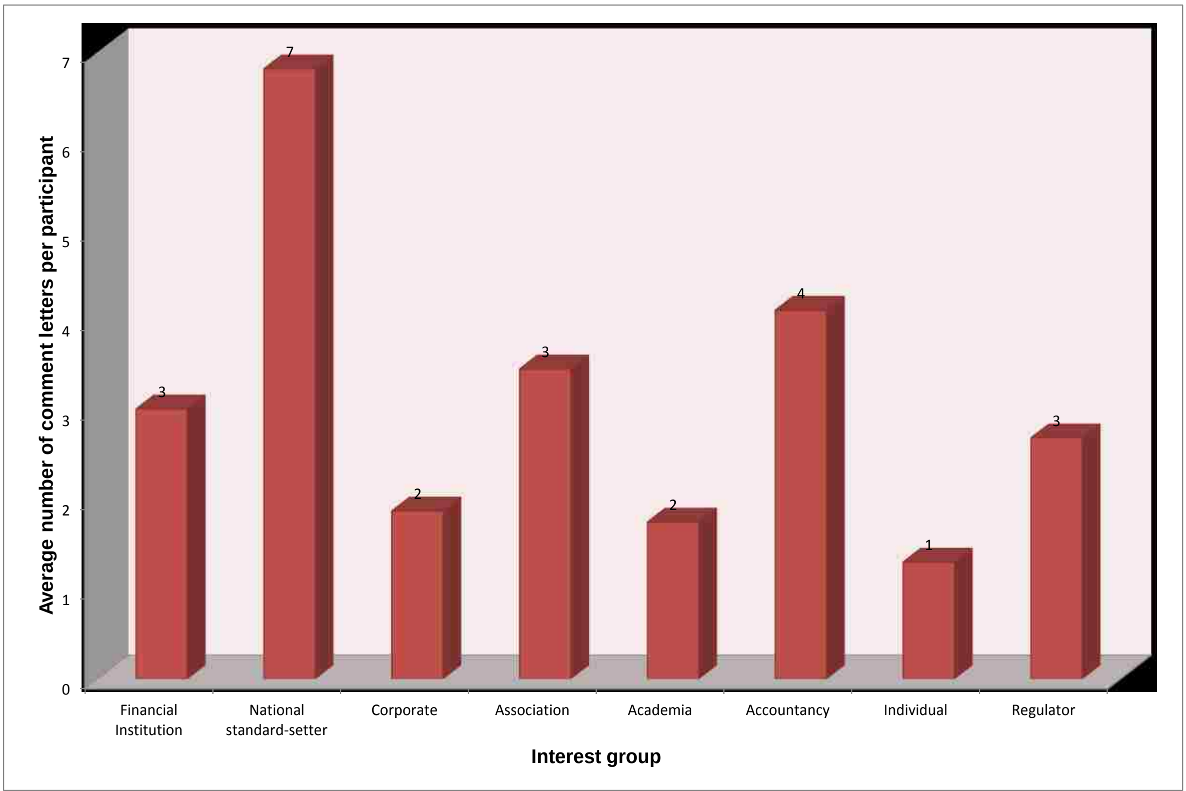
Table 6.3 shows the number of comment letters submitted by each interest group per CD. The mean, median and standard deviation of comment letters submitted by each interest group is also shown.

Table 6.3 The number of comment letters per CD submitted by each interest group

	CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD10	Total	% of total	Mean	Median	Standard Deviation
Financial Institution	49	101	39	76	110	45	48	81	66	42	**657**	38%	66	58	25
National standard-setter	18	23	16	26	22	17	22	24	23	27	**218**	13%	22	23	4
Corporate	25	19	5	17	11	8	6	58	15	14	**178**	10%	18	15	15
Association	27	36	9	25	21	19	13	32	20	16	**218**	13%	22	21	8
Academia	3	1	0	0	1	0	0	1	0	1	**7**	0%	1	1	1
Accountancy	27	25	12	34	28	19	25	31	26	20	**247**	14%	25	26	6
Individual	5	22	3	2	7	6	7	12	5	4	**73**	4%	7	6	6
Regulator	11	19	5	12	15	9	17	8	10	7	**113**	7%	11	11	4
Total	**165**	**246**	**89**	**192**	**215**	**123**	**138**	**247**	**165**	**131**	**1711**				

Figure 6.3 shows the average number of comment letters per participant by interest group. The participation of each interest group, as depicted in figures 6.2 and 6.3, and table 6.3, is discussed in the subsections below.

Figure 6.3 The average number of comment letters per participant by interest group



6.2.2.1 Financial institutions

Financial institutions were the most active interest group during the development of IFRS 9. They submitted 657 comment letters (38%) out of the 1 711 letters received by the IASB. The maximum number of comment letters per CD submitted by financial institutions was 110 (CD5) while the minimum was 39 (CD3). Comment letters from financial institutions constituted at least 30% of all comment letters submitted per every CD. The mean number of comment letters per CD was 66, with a median of 58 and a standard deviation of 25.

The 657 comment letters were submitted by 218 participants from across the world representing 38% of all participants. The top participants were mostly financial industry associations from Europe and North America. The average number of comment letters per participant was three which was less than the average achieved by national standard-setters and the accountancy profession.

6.2.2.2 Accountancy bodies

The accountancy profession was the second highest contributing interest group with 247 comment letters from 60 participants. Over half (57%) of the comment letters came from Europe, 21% from Asia/Oceania, 19% from North America and 1% from Africa. There were no participants from South America. The maximum number of comment letters submitted per CD was 34 with a minimum of 12. This resulted in a mean of 25 comment letters with a standard deviation of 6. The average number of comment letters per participant was four, the second highest amongst all interest groups.

6.2.2.3 National standard-setters

National standard-setters were tied with associations as the third most active interest group contributing 218 (13%) of the total comment letters. The maximum number of comment letters submitted in response to any CD was 27 with the minimum being 17. The mean was 22, a median of 23 and a standard deviation of 4. Unlike financial institutions, the participation of national standard-setters remained fairly stable throughout the ten CDs. The average number of comment letters per participant of seven was the highest of any interest group.

National standard-setters from all IASB regions participated in the development of IFRS 9 with three from Africa, 11 from Asia/Oceania, 13 from Europe, 2 from North America and 3 from South America. All the national standard-setters with formal liaison relationships with the IASB (Australia, Canada, France, Germany, Japan, New Zealand, UK and EFRAG) submitted comment letters. The US did not submit comment letters as IFRS 9 is a joint project between the IASB and the FASB.

The two regional standard-setters of Asia/Oceania and South America, AOSSG and GLASS respectively, submitted comment letters. AOSSG submitted six comment letters while GLASS submitted one. PAFA, the newly established African regional standard-settter, did not submit any comment letter.

6.2.2.4 Associations

Associations submitted 218 comment letters making them the joint third most active interest group. The comment letters came from 63 associations located in Asia/Oceania (11), Europe (33) and North America (19) resulting in an average of three comment letters per participant. The other two regions, Africa and South America, did not have any associations submitting comment letters. Associations representing the financial industry were classified as financial institutions for the purpose of this study. The mean comment letters were 22 with a standard deviation of eight.

6.2.2.5 Regulators

A total of 42 regulators submitted 113 comment letters as shown in table 6.4 below. The mean and median number of comment letters submitted for each CD was 11 with a standard deviation of 4. The maximum number of comment letters submitted per CD was 19 with the minimum being 5. The average number of comment letters per participant was three as shown in figure 6.3.

The Asia/Oceania region accounted for about a third of both comment letters submitted and participants. Regulators from Europe submitted 27% of the comment letters while their counterparts in North America accounted for 18%. There were no submissions from regulators in Africa or South America.

The BCBS and IOSCO are two of the four regulators classified as international. Both organisations submitted nine comment letters each to the IASB during the development of IFRS 9. The participation of regulators, just like that of national standard-setters, is important as they have the authority to sanction the use of IFRS within their jurisdictions.

Table 6.4 Submission of comment letters by regulators

	Comment letters	% of Total	Participants	% of Total	Average Comment letters
Africa	0	0%	0	0%	-
Asia/Oceania	37	33%	15	36%	2
Europe	30	27%	13	31%	2
North America	20	18%	10	24%	2
South America	0	0%	0	0%	-
International	26	23%	4	10%	7
Total	**113**		**42**		

6.2.2.6 Corporates

Corporates were the fifth most active interest group with 95 of them submitting 178 comment letters, an average of 2 comment letters per participant. The maximum number of comment letters submitted for each CD was 58 with a minimum of 5. The inconsistent participation resulted in a mean of 18 being almost equal to the standard deviation of 15.

Only one corporate, as shown in table 6.2, submitted ten or more comment letters. Of the 95 corporates that submitted comment letters, only six (6%) submitted at least five letters. Over half (53%) of the comment letters came from corporates in Europe, 24% from North America, 19% from Asia/Oceania and 4% from Africa. Corporates also participated through their industry or national associations.

6.2.2.7 Academia

The participation of the academia was very low with only seven comment letters. There were no comment letters submitted by academia for five of the ten CDs published during the development of IFRS 9. The maximum number of comment letters submitted in response to the publication of any CD was three. The seven comment letters were submitted by the Universidade de São Paulo (1), Turku School of Economics (1), Universidad Autónoma de Madrid (1) and Universidad de Chile (4).

6.2.2.8 Individuals

A total of 56 individuals submitted 73 comment letters with an average of 1 comment letter per participant as shown in table 6.5 below. The individuals were mainly from Asia/Oceania (12), Europe (11) and North America (19). Africa and South America had one participant each. Twelve individuals, classified as international, could not be allocated to regions because of a lack of addresses.

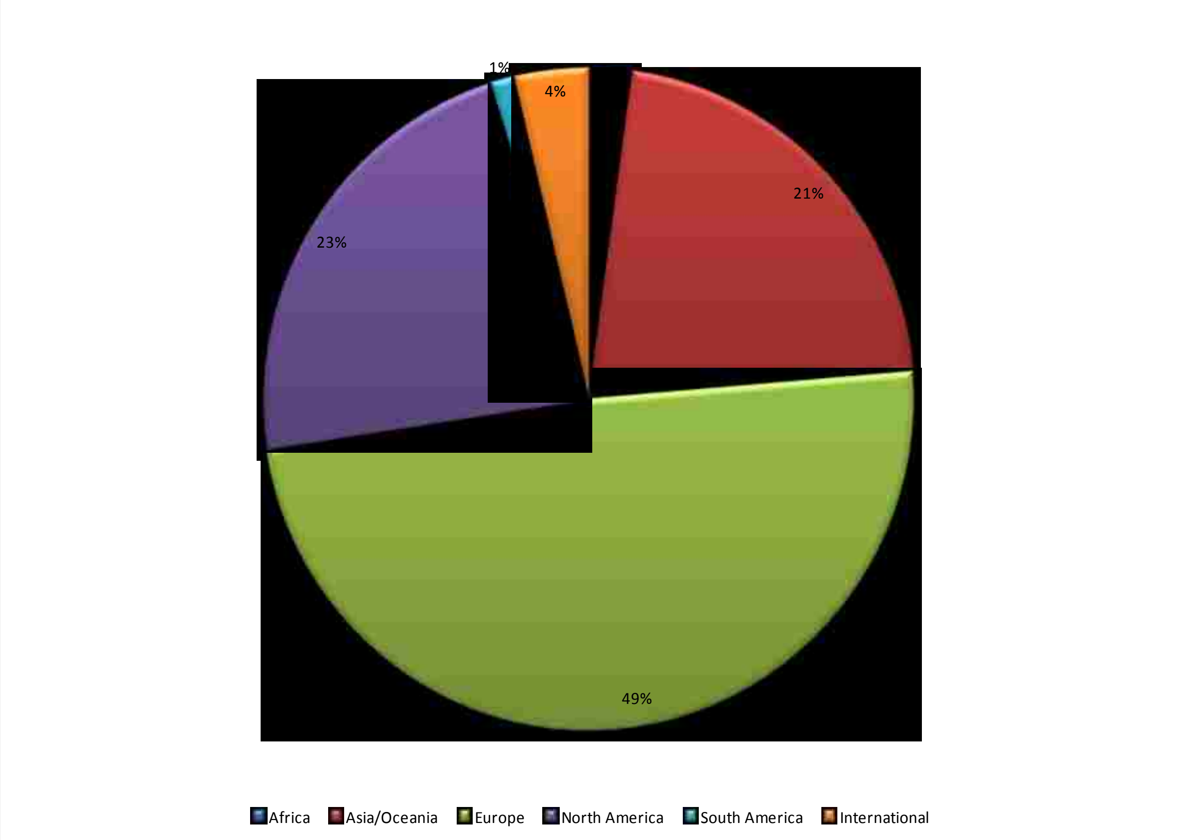
Table 6.5 Submission of comment letters by individuals

IASB region	Comment letters	% of total	Participants	% of total	Average comment letters
Africa	1	1%	1	2%	1
Asia/Oceania	16	22%	12	21%	1
Europe	18	25%	11	20%	2
North America	19	26%	19	34%	1
South America	2	3%	1	2%	2
International	17	23%	12	21%	1
Total	**73**		**56**		

6.2.3 Participation by IASB regions

The IASB has five regions: Africa, Asia/Oceania, Europe, North America and South America. Almost half (49%) of the 1 711 comment letters submitted during the development of IFRS 9 came from Europe. North America was the second largest contributor of comment letters (23%) followed closely by Asia/Oceania at 21%. The Africa region contributed 37 comment letters (2%) while South America submitted 21 comment letters (1%). Participants not affiliated with any of the five IASB regions, classified as international, submitted 62 comment letters (4%). The BCBS, IOSCO and the World Bank were classified as international and each of them submitted nine comment letters.

Figure 6.4 Percentage of comment letters received from IASB regions



Comment letters were received from 48 countries across all the IASB regions as shown in table 6.6 below. All countries with seats on IFRS governance structures had participants that submitted comment letters. Seventeen (85%) of the G-20 countries submitted comment letters except for Argentina, Indonesia and Saudi Arabia. All countries that contributed to the funding of IFRS standard-setting activities in 2011 submitted comment letters except for Bulgaria, Cyprus, Kazakhstan and Nigeria. The funding from these four countries accounted for less than 1% of 2011 total contributions.

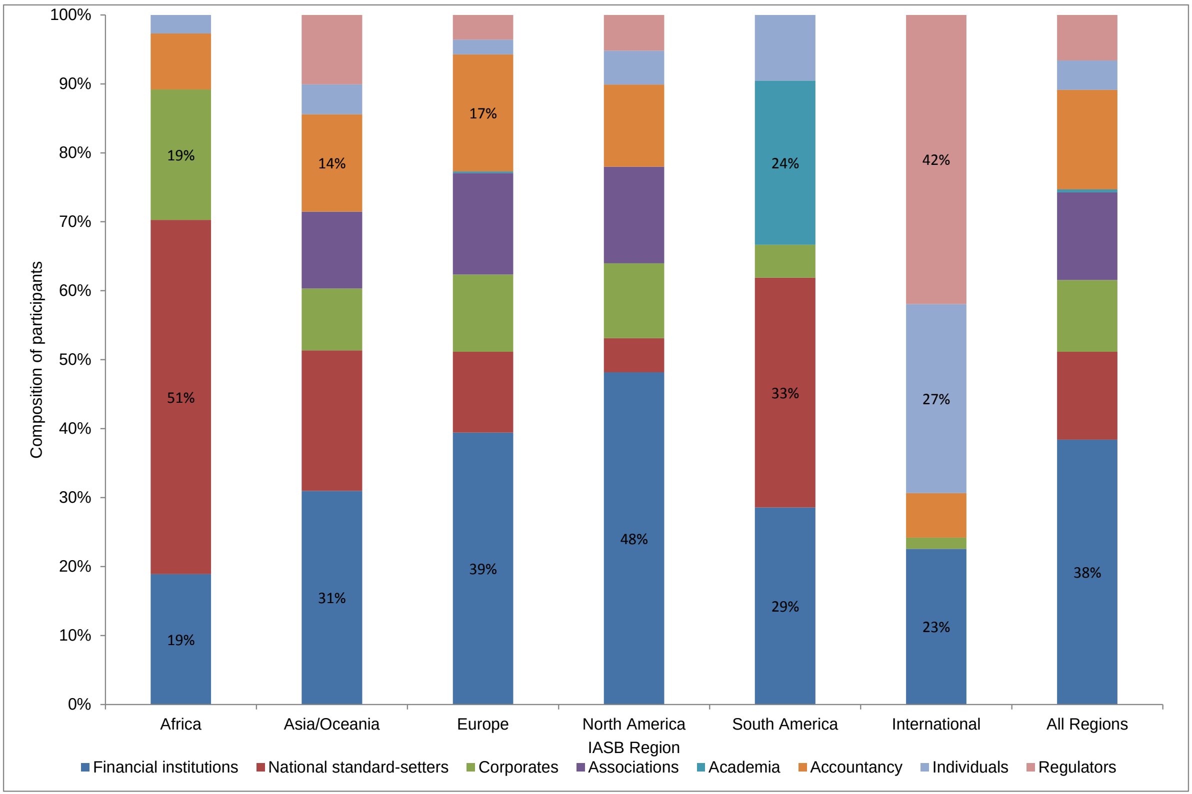
Table 6.6 The details of countries that submitted comment letters

Country	IASB region	IFRS governance seats	G-20	Funding (US$)	Use of IFRS	GDP (US$bn)	Market capitalisation (US$bn)	Population (Millions)	IFRS 9 comment letters
Botswana	Africa	-	-	-	1	14	4	2	1
Kenya	Africa	-	-	-	1	29	12	39	1
Rwanda	Africa	-	-	-	-	-	-	-	1
South Africa	Africa	2	1	-	1	313	769	49	25
Tanzania	Africa	-	-	-	1	20	1	43	1
Tunisia	Africa	-	-	-	-	-	-	-	2
Zambia	Africa	-	-	-	1	14	3	13	6
Africa Total		**2**	**1**	**-**	**5**	**390**	**790**	**146**	**37**
Australia	Asia/Oceania	1	1	1,020,632	1	1,016	1,164	22	121
China	Asia/Oceania	3	1	1,302,746	1	4,825	4,101	1,328	22
Hong Kong	Asia/Oceania	1	-	193,352	1	215	1,045	7	22
India	Asia/Oceania	2	1	414,230	1	1,384	1,182	1,199	40
Iran	Asia/Oceania	-	-	-	-	-	-	-	1
Israel	Asia/Oceania	-	-	-	1	195	182	7	8
Japan	Asia/Oceania	6	1	2,764,111	1	4,992	3,903	128	74
Malaysia	Asia/Oceania	1	-	64,661	1	213	302	28	11
New Zealand	Asia/Oceania	2	-	158,678	1	129	49	4	19
Pakistan	Asia/Oceania	-	-	-	-	-	-	-	7
Russia	Asia/Oceania	-	1	-	1	1,420	937	142	4
Singapore	Asia/Oceania	-	-	95,778	1	184	300	5	20
South Korea	Asia/Oceania	2	1	705,391	1	983	896	49	14
Thailand	Asia/Oceania	-	-	-	-	-	-	-	2
Turkey	Asia/Oceania	-	1	-	1	671	217	71	1
United Arab Emirates	Asia/Oceania	-	-	-	1	287	128	6	2
Asia/Oceania Total		**18**	**7**	**6,719,580**	**13**	**16,514**	**14,404**	**2,996**	**368**
Austria	Europe	-	-	-	1	382	116	8	17
Belgium	Europe	-	-	-	1	470	285	11	96
Czech Republic	Europe	-	-	-	1	194	51	10	1
Denmark	Europe	-	-	-	1	314	206	6	13
EU	Europe	-	1	5,947,443	-	-	-	-	12
Finland	Europe	-	-	-	1	245	190	5	1
France	Europe	5	1	1,377,609	1	2,602	2,027	65	102
Germany	Europe	4	1	1,536,466	1	3,330	1,461	82	103
Ireland	Europe	-	-	10,037	1	232	76	4	16
Italy	Europe	2	1	1,066,865	1	2,110	615	60	15
Luxembourg	Europe	-	-	-	1	53	98	0	9
Malta	Europe	-	-	-	1	8	4	0	1
Netherlands	Europe	2	-	564,109	1	789	654	17	22
Norway	Europe	-	-	-	1	411	244	5	9
Portugal	Europe	-	-	24,209	1	231	91	11	1
Slovakia	Europe	-	-	-	1	87	5	5	2
Spain	Europe	2	-	562,030	1	1,433	1,262	45	41
Sweden	Europe	1	-	-	1	459	487	9	37
Switzerland	Europe	-	-	315,039	1	498	1,097	8	55
United Kingdom	Europe	4	1	1,388,987	1	2,458	2,768	62	284
Europe Total		**20**	**5**	**12,792,796**	**19**	**16,304**	**11,735**	**414**	**837**
International	International	-	-	-	-	-	-	-	62
International Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62**
Canada	North America	2	1	817,775	1	1,476	1,773	34	81
Mexico	North America	-	1	-	1	1,026	364	111	11
United States	North America	12	1	2,803,325	1	14,150	16,495	305	294
North America Total		**14**	**3**	**3,621,099**	**3**	**16,652**	**18,631**	**450**	**386**
Brazil	South America	2	1	369,545	1	1,725	1,102	192	16
Chile	South America	-	-	-	1	191	224	17	5
South America Total		**2**	**1**	**369,545**	**2**	**1,916**	**1,326**	**209**	**21**
Grand Total		**56**	**17**	**23,503,020**	**42**	**51,776**	**46,885**	**4,215**	**1,711**

Of the over 145 countries that permit or require the use of IFRS as shown in annexure A, only 42 (29%) countries submitted comment letters. The 42 countries that submitted comment letters account for 78%, 92% and 97% of the population, GDP and market capitalisation of the countries that require or permit the use of IFRS. There were five countries (Iran, Pakistan, Rwanda, Thailand and Tunisia) that submitted comment letters but are not currently known to require or permit the use of IFRS.

Figure 6.5 below shows the participation of different interest groups by region compared to the average of all regions. Each region is discussed separately in the subsections below.

Figure 6.5 The participation of interest groups by IASB region



6.2.3.1 Africa

The African participants were drawn from Botswana, Kenya, Rwanda, South Africa and Zambia. The participant from Tunisia was the AfDB which is a continent-wide financial institution. Two-thirds of the comment letters came from South Africa, the only African country to submit comment letters (25) for all CDs. Zambia was the second highest source of comment letters (6), followed by Tunisia (2) with each of all the other African countries submitting one comment letter.

More than half (51%) of the comment letters from Africa came from national standard-setters which contrasts with a global average of 13% for the same interest group. SAICA submitted comment letters in its capacity as the secretariat of the national standard-setter, the Accounting Practices Board. All its comment letters are attributed to a national standard-setter. The Financial Reporting Standards Council was recently constituted as the standard-setter following the promulgation of the Companies Act 71 of 2008. Financial institutions accounted for 19% of all comment letters which is half the 38% participation rate achieved globally.

6.2.3.2 Asia/Oceania

The Asia/Oceania region submitted 368 comment letters with a third (121) of the letters coming from Australia. Japan (74), India (40), China (22) and Hong Kong (22) were some of the top participating countries. Sixteen countries from the Asia/Oceania region submitted comment letters.

The participation level of financial institutions (31%) was close to the global average of 38%. Like Africa, the participation of national standard-setters (20%) was above the global average of 13%. The third most active interest group in the Asia/Oceania region was the accountancy profession which accounted for 14% of all comment letters submitted.

6.2.3.3 Europe

The European region dominated participation by accounting for 49% of all comment letters. The 837 comment letters from Europe were submitted by 19 countries. The participation level of financial institutions (39%) was almost equal to the global average of 38%. The participation levels of the other interest groups were as follows: national standard-setters (12%), corporates (11%), associations (15%) and the accountancy profession (17%).

A third (284) of the comment letters came from the UK, followed by Germany (103) and France (102). The UK was the second highest source of comment letters globally. The Czech Republic, Finland, Malta and Portugal only submitted one comment letter each.

6.2.3.4 North America

The North American region was the second highest contributing region with 386 comment letters. The letters came from three countries: Canada (81), Mexico (11) and the US (294). The US was the largest source of comment letters globally.

The US is home to the FASB, the IASB's partner during the development of IFRS 9. The two documents issued by the FASB on behalf of the IASB, CD5 and CD9, attracted the highest responses from North America of 88 and 64 comment letters respectively. The maximum number of comment letters received for documents issued directly by the IASB (except CD5 and CD9) was 50. Almost half (48%) of the participants from North America were financial institutions, followed by associations (14%), the accountancy profession (12%), corporates (11%) and 5% for each for national standard-setters, regulators and individuals.

6.2.3.5 South America

Only Brazil (16) and Chile (5) submitted comment letters. Like Africa, national standard-setters were the most active interest group with 33% of the comment letters followed by financial institutions (29%) and the academia (24%). The participation of the academia was the highest across all regions. The next section analyses the participation of constituents in the development of IFRS 13.

6.3 Constituent participation in the development of IFRS 13

IFRS 13 was published in May 2011 but its development formally started in November 2006 with the publication of a discussion paper (CD11). The project became the focus of attention following the fair value debate that questioned the role of accounting standards in causing or exacerbating the global financial crisis. The IASB prioritised the development of fair value measurement guidance as part of its response to the crisis.

Two exposure drafts (CD12 and CD13) were published in 2009 and 2010 respectively. CD12 was the main document that outlined the technical proposals related to fair value measurement for all valuations required in IFRS. CD13 was issued to deal with the disclosure of measurement uncertainty analysis in cases where fair values were based on unobservable inputs.

6.3.1 Overall participation

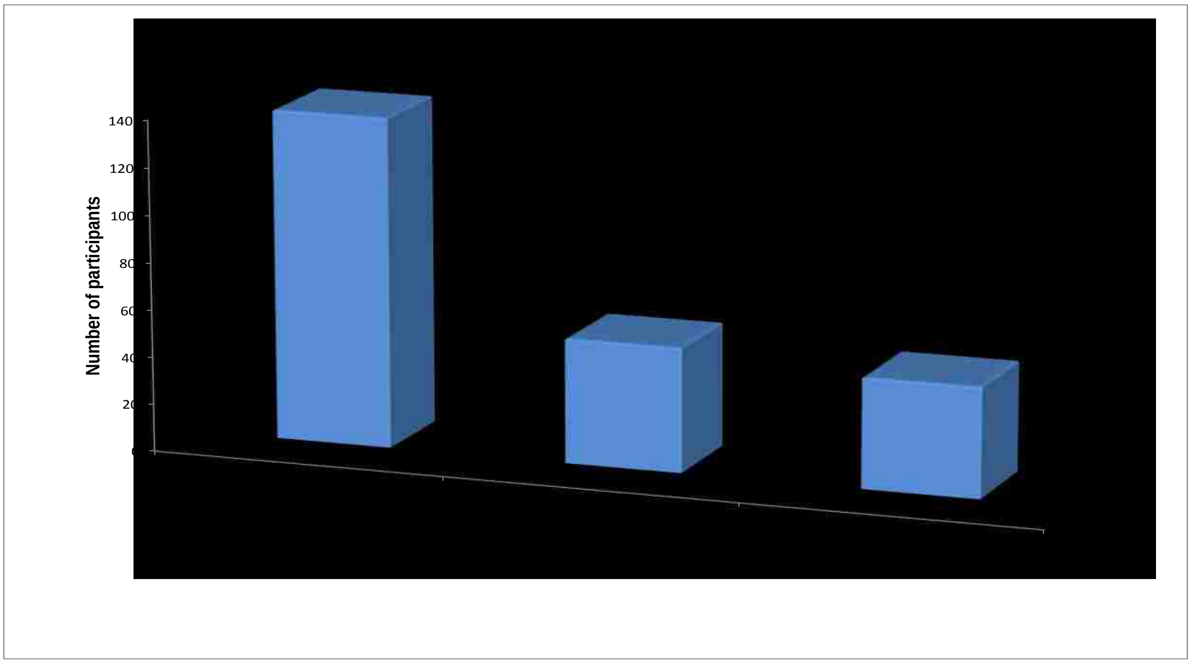
The response to the publication of the three CDs was 387 comment letters from 240 participants across the world. The main exposure draft, CD12, attracted the highest number of comment letters (160). The discussion paper (CD11) had the second highest comment letters (136) with the second exposure draft, CD13, attracting the least number (91) of responses.

Table 6.7 The breakdown of comment letters submitted during the development of IFRS 13

CD code	Publication date	Comment letters		Document title
		Number	% of total	
CD11	11/2006	136	35%	Discussion paper: Fair value measurements
CD12	05/2009	160	41%	ED/2009/5 Fair value measurement
CD13	06/2010	91	24%	ED/2010/7 Measurement uncertainty analysis: Disclosure for fair value measurement
		387		

Figure 6.6 shows the number of constituents that participated in the development of IFRS 13 and their participation levels. Of the 240 participants, only 47 participants (20%) submitted comment letters in response to all three CDs. A further 53 participants (22%) submitted comment letters to two of the three CDs. The majority of participants, 140 (58%), only submitted one comment letter. Of the 140 participants that submitted one comment letter, 63 (45%) only commented on the main exposure draft (CD12), 56 (40%) commented on the discussion paper (CD11) and the remaining 21 (15%) only commented on the second exposure draft (CD13).

Figure 6.6 The number of comment letters submitted by each participant



6.3.2 Participation by interest groups

Table 6.8 shows the number of comment letters submitted by each interest group in response to the three CDs published during the development of IFRS 13. It also shows the number of participants per interest group and the average number of comment letters per participant. The details in table 6.8 are discussed in the subsections below.

Table 6.8 The number of comment letters submitted by interest groups per IFRS 13 CD

INTEREST GROUP	NUMBER OF COMMENT LETTERS								PARTICIPANTS		
	CD11	CD12	CD13	Total	% of total	Mean	Median	Standard Deviation	Number	% of total	Average comment letters
Financial Institution	36	40	26	**102**	26%	34	36	7	64	27%	2
National standard-setter	18	21	19	**58**	15%	19	19	2	25	10%	2
Corporate	16	17	8	**41**	11%	14	16	5	32	13%	1
Association	19	27	8	**54**	14%	18	19	10	37	15%	1
Academia	6	5	1	**12**	3%	4	5	3	10	4%	1
Accountancy	23	29	18	**70**	18%	23	23	6	37	15%	2
Individual	6	8	3	**17**	4%	6	6	3	16	7%	1
Regulator	12	13	8	**33**	9%	11	12	3	19	8%	2
Total	**136**	**160**	**91**	**387**		**129**	**136**	**35**	**240**		**2**

6.3.2.1 Financial institutions

Financial institutions were the most active interest group with 102 (26%) comment letters out of the 387 submitted to the IASB. The mean comment letters per CD was 34, with a median of 36 and a standard deviation of 7. The maximum number of comment letters submitted was 40 with the minimum being the 26 comment letters. Sixty-four financial institutions submitted an average of two comment letters each.

6.3.2.2 Accountancy bodies

The accountancy profession was the second most active interest group with 70 (18%) comment letters. The maximum number of comment letters was 29 (for CD12) and the minimum was 18 (for CD13). The mean and median was 23 comment letters with a standard deviation of 6. The comment letters were submitted by 37 participants resulting in an average of 2 comment letters per participant.

6.3.2.3 National standard-setters

The third most active interest group was national standard-setters with 58 (15%) of all the comment letters. National standard-setters were the only interest group not to have less CD13 comment letters than CD11 and CD12 comment letters. The maximum of 21 comment letters per CD was close to the minimum of 18 resulting in a low standard deviation of 2. The 58 comment letters were submitted by 25 participants contributing an average of 2 comment letters per participant.

6.3.2.4 Associations

Associations submitted 54 (14%) comment letters to rank as the fourth most active interest group. They had the highest standard deviation of 10 because of a huge gap between their maximum of 27 comment letters and a minimum of 8. The letters came from 37 participants resulting in an average of 1 comment letter per participant.

6.3.2.5 Corporates

Thirty two corporates submitted 41 (11%) comment letters with a maximum of 17 comment letters and a minimum of eight letters per CD. The mean was 14 comment letters with a standard deviation of 5. The average was one comment letter per participant.

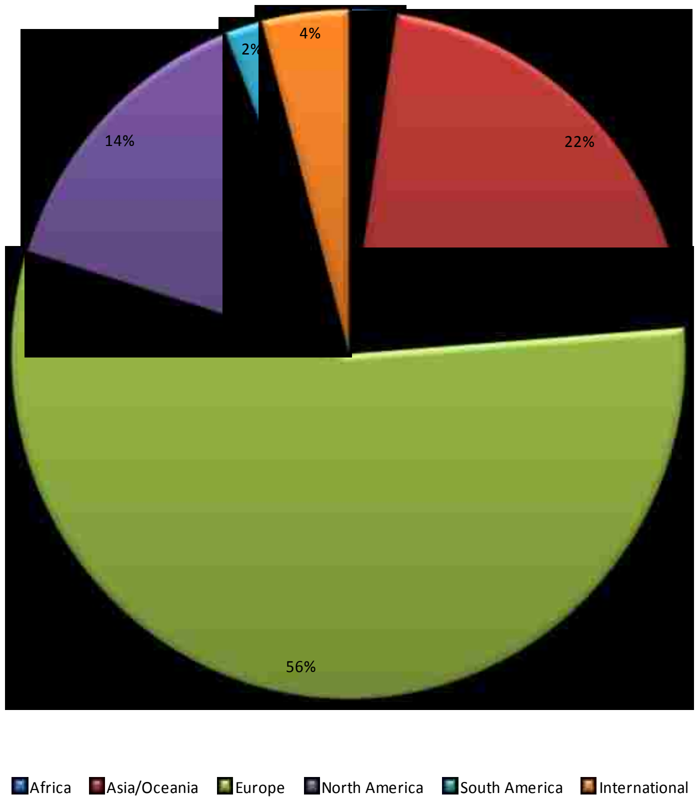
6.3.2.6 Others

The remaining comment letters came from regulators (9%), individuals (4%) and academia (3%). Ten academic institutions, including the Universidad de Chile, submitted comment letters.

6.3.3 Participation by IASB regions

Just like the development of IFRS 9, the majority (56%) of comment letters submitted during the development of IFRS 13 came from Europe. The Asia/Oceania region submitted 22% of the 387 comment letters followed by North America with 14%. Africa and South America contributed 2% each while the remaining 4% came from participants classified as international. There were ten participants classified as international: four were individuals whose addresses were not known; one was a joint response from the American, European and Japanese insurers; and the remaining five were participants with a global mandate or membership such as The World Bank as shown in figure 6.7 below.

Figure 6.7 The percentage of comment letters received from each IASB region



Comment letters were submitted by participants in 38 countries across all the IASB regions as shown in the table below. With the exception of Spain, all countries with seats on IFRS governance structures had participants that submitted comment letters. Just like IFRS 9, comment letters came from seventeen (85%) of the G-20 countries except for Indonesia, Saudi Arabia and Turkey. All countries that contributed to the funding of IFRS standard-setting activities in 2011 submitted comment letters except for Bulgaria, Cyprus, Kazakhstan, Nigeria and Spain.

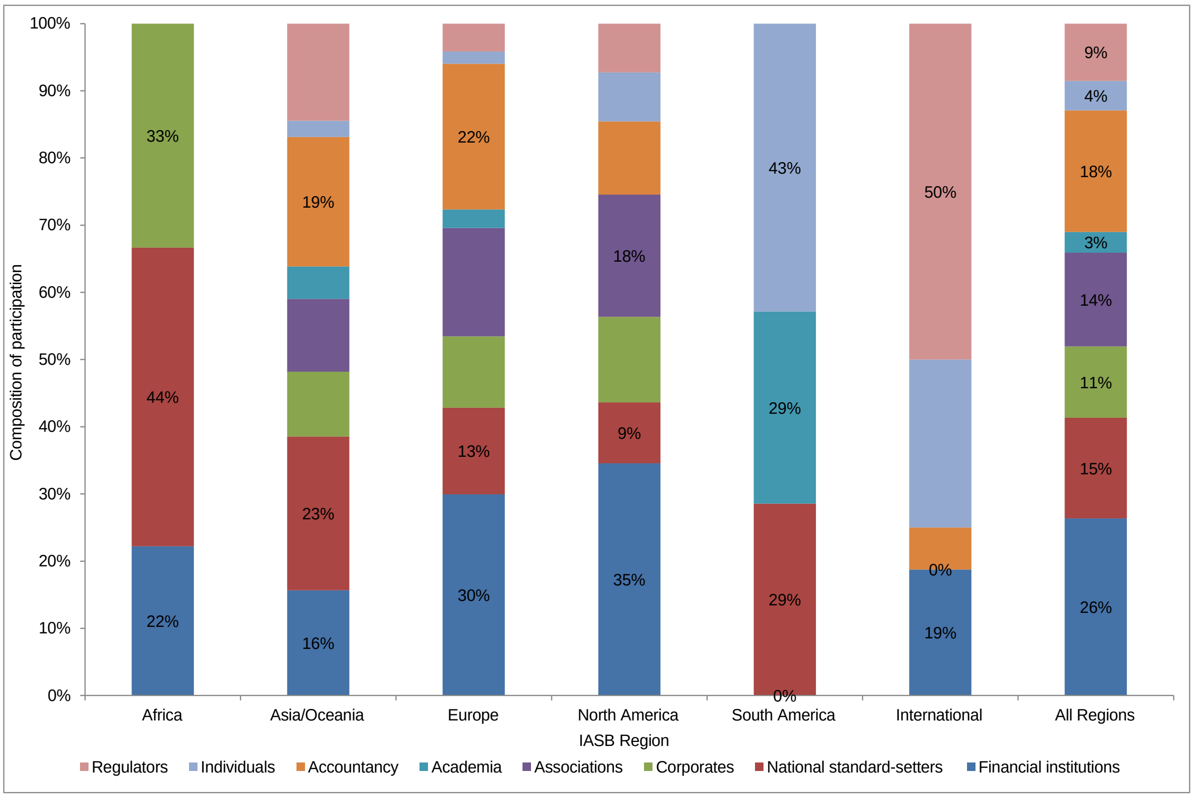
Of the over 145 countries that permit or require the use of IFRS as shown in annexure A, only 35 (24%) countries submitted comment letters. The 35 countries account for 75%, 87% and 93% of the population, GDP and market capitalisation of the countries that require or permit the use of IFRS. Participants from Colombia, Pakistan and Thailand submitted comment letters but these countries are not currently known to require or permit the use of IFRS.

Table 6.9 The list of countries with constituents that submitted comment letters during the development of IFRS 13

Country	IASB region	IFRS governance seats	G-20	Funding (US$)	Use of IFRS	GDP (US$bn)	Market capitalisation (US$bn)	Population (Millions)	IFRS 13 comment letters
South Africa	Africa	2	1	-	1	313	769	49	8
Zambia	Africa	-	-	-	1	14	3	13	1
Africa Total		**2**	**1**	**-**	**2**	**327**	**772**	**62**	**9**
Australia	Asia/Oceania	1	1	1,020,632	1	1,016	1,164	22	30
China	Asia/Oceania	3	1	1,302,746	1	4,825	4,101	1,328	7
Hong Kong	Asia/Oceania	1	-	193,352	1	215	1,045	7	4
India	Asia/Oceania	2	1	414,230	1	1,384	1,182	1,199	7
Japan	Asia/Oceania	6	1	2,764,111	1	4,992	3,903	128	12
Malaysia	Asia/Oceania	1	-	64,661	1	213	302	28	3
New Zealand	Asia/Oceania	2	-	158,678	1	129	49	4	6
Pakistan	Asia/Oceania	-	-	-	-	-	-	-	2
Russia	Asia/Oceania	-	1	-	1	1,420	937	142	1
Singapore	Asia/Oceania	-	-	95,778	1	184	300	5	5
South Korea	Asia/Oceania	2	1	705,391	1	983	896	49	4
Thailand	Asia/Oceania	-	-	-	-	-	-	-	1
United Arab Emirates	Asia/Oceania	-	-	-	1	287	128	6	1
Asia/Oceania Total		**18**	**6**	**6,719,580**	**11**	**15,648**	**14,005**	**2,917**	**83**
Austria	Europe	-	-	-	1	382	116	8	7
Belgium	Europe	-	-	-	1	470	285	11	23
Denmark	Europe	-	-	-	1	314	206	6	1
Europe	Europe	-	1	5,947,443	-	-	-	-	1
Finland	Europe	-	-	-	1	245	190	5	2
France	Europe	5	1	1,377,609	1	2,602	2,027	65	24
Germany	Europe	4	1	1,536,466	1	3,330	1,461	82	22
Ireland	Europe	-	-	10,037	1	232	76	4	7
Italy	Europe	2	1	1,066,865	1	2,110	615	60	6
Luxembourg	Europe	-	-	-	1	53	98	0	1
Malta	Europe	-	-	-	1	8	4	0	1
Netherlands	Europe	2	-	564,109	1	789	654	17	4
Norway	Europe	-	-	-	1	411	244	5	3
Romania	Europe	-	-	-	1	166	30	21	1
Sweden	Europe	1	-	-	1	459	487	9	11
Switzerland	Europe	-	-	315,039	1	498	1,097	8	17
United Kingdom	Europe	4	1	1,388,987	1	2,458	2,768	62	86
Europe Total		**18**	**5**	**12,206,556**	**16**	**14,525**	**10,357**	**363**	**217**
International	International	-	-	-	-	-	-	-	16
International Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16**
Canada	North America	2	1	817,775	1	1,476	1,773	34	22
Mexico	North America	-	1	-	1	1,026	364	111	3
United States	North America	12	1	2,803,325	1	14,150	16,495	305	30
North America Total		**14**	**3**	**3,621,099**	**3**	**16,652**	**18,631**	**450**	**55**
Argentina	South America	-	1	-	1	321	63	40	1
Brazil	South America	2	1	369,545	1	1,725	1,102	192	2
Chile	South America	-	-	-	1	191	224	17	2
Colombia	South America	-	-	-	-	-	-	-	2
South America Total		**2**	**2**	**369,545**	**3**	**2,236**	**1,388**	**249**	**7**
Grand Total		**54**	**17**	**22,916,781**	**35**	**49,388**	**45,153**	**4,041**	**387**

The participants from the different regions differed in terms of the proportion of the various interest groups. Figure 6.8 shows the composition of each interest group in terms of comment letters submitted. The data in table 6.9 and figure 6.8 is discussed in the subsections below.

Figure 6.8 Proportion of comment letters submitted by each interest group per IASB region



6.3.3.1 Africa

The nine comment letters from Africa were submitted by national standard-setters (44%), corporates (33%) and financial institutions (22%). The other interest groups did not submit any comment letters. Only participants from South Africa (86%) and Zambia (14%) submitted comment letters.

6.3.3.2 Asia/Oceania

Comment letters from Asia/Oceania came from national standard-setters (23%), the accountancy profession (19%), financial institutions (16%), regulators (14%), associations (11%), corporate (10%) and other interest groups (7%). Fifty-five participants from 13 countries submitted the 83 comment letters. Just like IFRS 9, Australia accounted for over a third (36%) of all comment letters from Asia/Oceania.

6.3.3.3 Europe

Almost a third (30%) of the 217 comment letters from Europe were submitted by financial institutions. The other interest groups contributed as follows: the accountancy profession (22%), associations (16%), national standard-setters

(13%), corporates (11%) and other interest groups (9%). The comment letters were submitted by participants in 18 countries. The comment letters from the UK (86) surpassed the total for the Asia/Oceania region and exceeded all other regions. The second highest number of comment letters from an individual country was 30, almost a third of the UK total.

6.3.3.4 North America

North America was the region with the highest proportion of financial institutions (35%) amongst its participants. The second most active interest group was associations (18%) followed by corporates (13%) and the accountancy profession (11%). The comment letters came from participants in Canada (22), Mexico (3) and the US (30).

6.3.3.5 South America

South America is the only IASB region where individuals were the dominant interest group with 43% of the comment letters. The three letters were submitted by three individuals in Argentina (1) and Colombia (2). National standard-setters (29%) and the academia (29%) were tied in second spot with two comment letters each. The comment letters were submitted by participants in four countries.

6.4 IFRS 9 and IFRS 13 participation

The development of IFRS 9 and IFRS 13 generated a combined 2 098 comment letters in response to 13 CDs. Table 6.10 compares the participation indicators for both projects. The indicators show that the development of IFRS 9 attracted more interest than that of IFRS 13.

Table 6.10 A comparison of IFRS 9 and IFRS 13 participation indicators

Participation Indicator	IFRS 9	IFRS 13
The average comment letters per CD	171	129
The average number of participants per CD	170	129
The number of countries that participated	48	39
The participation of countries using IFRS		
· Countries represented	41	34
· % of G-20 countries represented	85%	85%
· % of IFRS seats	100%	96%
· % of funding	99%	98%
· % of GDP represented	91%	87%
· % of market capitalization represented	96%	93%
· % of population represented	78%	74%

The average number of comment letters for IFRS 9 was 171 compared to 129 for IFRS 13. The differences in the averages is partly because six of the ten CDs published during the development of IFRS 9 had response rates above the maximum of 160 comment letters per CD achieved for IFRS 13. The average number of participants was almost identical to that of the comment letters. IFRS 9 attracted responses from 48 countries compared to 39 for IFRS 13. The participation of countries using IFRS was higher in IFRS 9 (48) than IFRS 13 (39). The other participation performance indicators were consistently higher in IFRS 9 than IFRS 13.

This study does not investigate the reasons behind the differences in participation indicators between the two standards. It is possible that constituents perceived IFRS 9 to have more potential impact on their cash flows than IFRS 13. Watts and Zimmerman (1978) argue that firms will participate as long as they perceive proposed accounting standards to have potential impact on cash flows.

6.4.1 The top participants

The development of IFRS 9 attracted 570 participants while that of IFRS 13 attracted 240 participants. Of the 240 participants that submitted comment letters during the development of IFRS 13, 174 (73%) also submitted comment letters during the development of IFRS 9.

There were 33 participants, as shown in table 6.11 that submitted at least nine and three comment letters during the development of IFRS 9 and IFRS 13 respectively. Although ten CDs were published during the development of IFRS 9, one document was a request for information which is not a normal IASB due process document. The top 33 participants constituted 6% of participants and 19% of comment letters for IFRS 9. For IFRS 13, they constituted 14% of participants and 26% of comment letters.

Table 6.11 The list of participants that submitted commented on all three IFRS 13 CDs and at least nine IFRS 9 CDs.

Participant	Country	Type	IFRS 13 comment letters	IFRS 9 comment letters	Total comment letters
South African Institute of Chartered Accountants	South Africa	National standard-setter	3	12	15
Africa Total			**3**	**12**	**15**
Australian Accounting Standards Board	Australia	National standard-setter	3	11	14
Hong Kong Institute of Certified Public Accountants	Hong Kong	Accountancy	3	10	13
Japanese Institute of Certified Public Accountants	Japan	Accountancy	3	10	13
Malaysian Accounting Standards Board	Malaysia	National standard-setter	3	10	13
Singapore Accounting Standards Council	Singapore	National standard-setter	3	10	13
Australian Heads of Treasuries Accounting and Reporting Advisory Committee	Australia	Association	3	9	12
Group of 100	Australia	Association	3	9	12
Life Insurance Association of Japan	Japan	Financial Institution	3	9	12
Asia/Oceania Total			**24**	**78**	**102**
AFRAC	Austria	National standard-setter	3	10	13
Dutch Accounting Standards Board	Netherlands	National standard-setter	3	10	13
EFRAG	Belgium	National standard-setter	3	10	13
Ernst & Young	United Kingdom	Accountancy	3	10	13
FEE	Belgium	Accountancy	3	10	13
French Banking Federation	France	Financial Institution	3	10	13
German Accounting Standards Committee	Germany	National standard-setter	3	10	13
HSBC Holdings PLC	United Kingdom	Financial Institution	3	10	13
Institute of Chartered Accountants in England & Wales	United Kingdom	Accountancy	3	10	13
KPMG	United Kingdom	Accountancy	3	10	13
Mazars	France	Accountancy	3	10	13
PricewaterhouseCoopers	United Kingdom	Accountancy	3	10	13
UBS	Switzerland	Financial Institution	3	10	13
BNP Paribas	France	Financial Institution	3	9	12
Chartered Accountants Ireland	Ireland	Accountancy	3	9	12
Deloitte Touche Tohmatsu	United Kingdom	Accountancy	3	9	12
Deutsche Bank	Germany	Financial Institution	3	9	12
FAR SRS	Sweden	Accountancy	3	9	12
Grant Thornton International	United Kingdom	Accountancy	3	9	12
Morgan Stanley	United Kingdom	Financial Institution	3	9	12
Europe Total			**60**	**193**	**253**
Basel Committee on Banking Supervision	International	Regulator	3	9	12
IOSCO	International	Regulator	3	9	12
International Total			**6**	**18**	**24**
Canadian Accounting Standards Board	Canada	National standard-setter	3	10	13
Canadian Bankers Association	Canada	Financial Institution	3	10	13
North America Total			**6**	**20**	**26**
Grand Total			**99**	**321**	**420**

A further analysis of the top 33 participants, as per table 6.12 below, shows that the dominant interest group was the accountancy profession which accounted for over a third (36%) of both the number of participants and comment letters. The second and third most active interest groups were the national standard-setters (29% of comment letters and 27% of participants) and financial institutions (24% of comment letters and participants) respectively. Associations and regulators were tied at 6% of both comment letters and participants. Corporates, academia and individuals did not feature in the top 33.

Except for New Zealand and the US, every other country with a national standard-setter with a formal liaison relationship with the IASB had a participant in the top 33. The absence of the US from the list of the top participants is deceiving as both standards were joint projects between the IASB and the US national standard-setter, the FASB. Four national standard-setters with formal liaison relationships (Australia, Canada, EFRAG and Germany) were part of the top 33 participants.

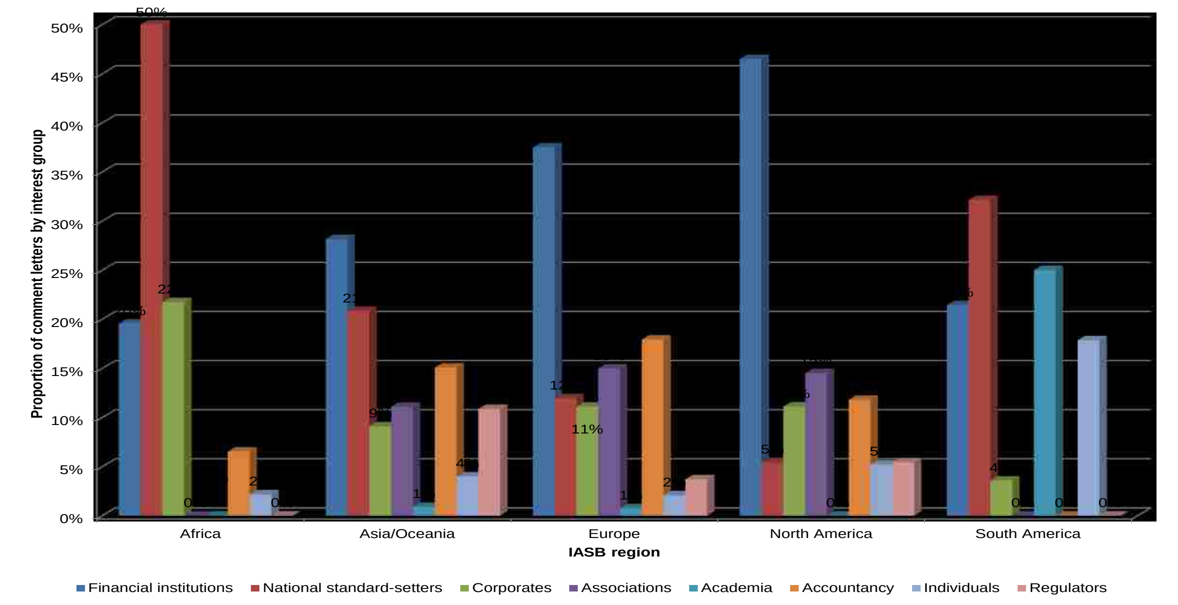
Table 6.12 The top 33 participants by interest group

Interest Group	Comment letters		Participants		Average comment letters
	Number	% of total	Number	% of total	
Financial Institution	100	24%	8	24%	13
National standard-setter	120	29%	9	27%	13
Corporate	0	0%	0	0%	0
Association	24	6%	2	6%	12
Academia	0	0%	0	0%	0
Accountancy	152	36%	12	36%	13
Individual	0	0%	0	0%	0
Regulator	24	6%	2	6%	12
Total	**420**		**33**		

6.4.2 Participation by interest groups

Figure 6.9 shows the participation of each interest group by geographical region. Financial institutions were the most active interest group in Asia/Oceania (28%), Europe (37%) and North America (46%) during the development of the two standards. In contrast, they were the third most active interest group in both Africa (20%) and South America (21%). National standard-setters were the most active interest group in Africa (50%) and South America (32%) but were second in Asia/Oceania (21%), fourth in Europe (12%) and joint fourth in North America (5%). The proportion of regulators was highest in Asia/Oceania (11%) with Europe (4%) and North America (5%) almost identical. There were no regulators from Africa and South America.

Figure 6.9 The proportion of IFRS 9 and IFRS 13 comment letters by interest per IASB region



The accountancy profession was fairly active across all regions except South America which had none. All regions had corporate participants with close to a quarter (22%) of the African participants belonging to this interest group. Asia/Oceania (11%), Europe (15%) and North America (15%) had active participation from industry associations while Africa and South America had none. Participation through industry associations may be one way of reducing the cost of participation and overcoming capacity constraints. Corporates accounted for 10% of comment letters followed by regulators at 8%. Individuals (4%) and academia (2%) were the least active interest groups.

The differences in the participation of the various interest groups, especially regulators and national standard-setters, have legitimacy implications for IFRS. The membership of the Monitoring Board is limited to capital markets regulators on the basis that IFRS is intended to meet investors' information needs. The motivations for adopting IFRS, as outlined in chapter two, go beyond the accounting needs of listed entities. For South Africa, it is about broader policy reforms while for most developing countries it is because of a lack of resources to write their own accounting standards or pressure from the World Bank and the IMF. These reasons have nothing to do with capital markets hence participants from Africa and South America are dominated by national standard-setters with no regulators submitting comment letters. Limiting the membership of the Monitoring Board to regulators of capital markets ignores the important considerations for adoption of IFRS by developing countries.

6.4.3 Participation by IASB regions

Table 6.13 compares the proportion of comment letters submitted from each IASB region with each region's proportion of a number of indicators. Only 2 020 comment letters were analysed as there were 78 letters received from participants classified as international.

The Africa region contributed 2% of all comment letters which was in line with its proportion of GDP and market capitalisation. Africa accounts for 17% of the number of countries using IFRS and 10% of their population. The comment letters came from seven (29%) out of a possible 24 countries. It is possible that the non-participation of the other 17 countries may be due to a lack of technical and financial resources.

Table 6.13 A comparison of some key participation indicators by region

IASB REGION	COUNTRIES USING IFRS AS PER ANNEXURE A						COMMENT LETTERS
	% of IFRS governance seats	% of IASB 2011 funding	% of countries using IFRS	% of GDP	% of Market capitalisation	% of population	
Africa	4%	0%	17%	2%	2%	10%	2%
Asia/Oceania	32%	29%	28%	31%	31%	63%	22%
Europe	36%	54%	29%	32%	25%	11%	52%
North America	25%	15%	18%	30%	38%	10%	22%
South America	4%	2%	8%	5%	3%	6%	1%

The Asia/Oceania region submitted 22% of the comment letters which is below its proportion of all other indicators. Its proportion of GDP and stock market capitalisation is 31%. The region is home to 63% of the population of countries using IFRS and 28% of the countries using IFRS. Asia/Oceania currently holds 32% of IFRS governance seats which is in line with its share of most indicators except the population.

The European region contributed 52% of comment letters yet its proportion of GDP and market capitalisation is 32% and 25% respectively. The disproportionate contribution of UK based participants (35%), where the IASB is located, skews the numbers. The European region accommodates 11% of the population of countries using IFRS and has 36% of all IFRS governance seats, the highest of any region. It accounts for the highest proportion (29%) of countries using IFRS and the largest financial contribution to IFRS standard-setting activities in 2011.

North America accounted for 22% of comment letters which is lower than its share of GDP (30%) and market capitalisation (38%). The proportion of comment letters is higher than the proportion of its population (10%) and financial contributions (15%). The IASB and FASB convergence efforts give the latter more participation opportunities than demonstrated by an analysis of comment letters.

The South America region contributed 1% of the comment letters which is below its proportion of all other indicators. The region accounts for 6% of the population, 5% of GDP and 3% of market capitalisation. It has 4% of IFRS governance seats, the same as Africa.

6.5 Summary and conclusion

The development of IFRS 9 attracted 1 711 comment letters following the publication of ten CDs between March 2008 and August 2011. The average number of comment letters received per CD was 171. A total of 570 participants submitted comment letters at an average of three letters per participant. There were 32 participants that submitted ten or more comment letters. Half of the 570 participants only submitted one comment letter.

Financial institutions contributed the highest number (38%) of both participants and comment letters while the academia had the lowest contribution of 1%. The accountancy profession (14%), national standard-setters (13%) and associations (13%) were the second, third and fourth most active interest groups respectively. The dominant participation of financial institutions may have been motivated by the need to lobby for specific outcomes to minimise the impact of the proposed standards on their businesses. The analysis of lobbying is beyond the scope of this study.

Almost half (49%) of the comment letters came from participants in Europe. The Asia/Oceania (21%) and North American (23%) regions contributed in all almost identical proportions. South America (1%) was the least contributing region followed by Africa (2%). Participants in the US and UK contributed the most comment letters. Only 28% of the 145 countries using IFRS participated in the development of IFRS 9. Six other countries not known to be using IFRS submitted comment letters.

The development of IFRS 13 involved the publication of three CDs between November 2006 and May 2011. The IASB received 387 comment letters from 240 participants. The average number of comment letters per CD was 129, lower than the 171 for IFRS 9. The participation of interest groups followed the same order as during the development of IFRS 9. However, the proportion of comment letters from financial institutions dropped from 38% to 26%. The accountancy profession (18%), national standard-setters (15%) and associations (14%) were the second, third and fourth most active interest groups respectively.

The breakdown of comment letters by region resembled that of IFRS 9 with Europe (56%) being the dominant region followed by Asia/Oceania (22%) and North America (14%). Unlike with IFRS 9, South America and Africa were tied at 2% each. The UK had the highest number of comment letters (86) with Australia and the US a distant second with 30 each.

When IFRS 9 and IFRS 13 participation is combined, the maximum number of comment letters received per CD was 247. This was received in response to the publication of CD8, the hedge accounting exposure draft. The lowest number of responses was 89 comment letters received in response to the publication of CD3, a request for information document.

The participation of interest groups varied across all regions but financial institutions were the most active interest group overall followed by the accountancy profession, national standard-setters, corporates and associations. The least active interest groups were the academia and individuals.

Over half (52%) of the comment letters came from Europe with Asia/Oceania and North America tied at 22%. Africa accounted for 2% of all comment letters and South America contributed 1% of the letters. South Africa, Australia, the UK, the US and Brazil were the largest source of comment letters from Africa, Asia/Oceania, Europe, North America and South America respectively. Each of these countries accounted for at least a third of comment letters from their respective regions. All five countries are represented on IFRS governance structures and are members of the G-20.

Botswana, Kenya, Rwanda, South Africa, Tanzania, Tunisia and Zambia are the countries from Africa that submitted comment letters. The two letters from Tunisia were submitted by the AfDB. All the other countries submitted one comment letter except South Africa and Zambia. The same two countries were the only ones to submit comment letters for both IFRS 9 and IFRS 13.

The countries that participated in the development of both standards represented 28% of the 145 countries using IFRS. They also represented at least 75%, 87% and 93% of the population, GDP and market capitalisation of the countries using IFRS respectively.

7 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

The main problem investigated by the study was the legitimacy of the financial reporting “law” that is IFRS. The 16 IASB board members are writing financial reporting “law” for more than 100 countries without being formally mandated by the citizenry of these countries. The study sought to assess the legitimacy of IFRS by evaluating the IASB’s standard-setting due process. The study aimed to:

- highlight the legitimacy challenges of IFRS especially from the perspective of the African region;
- offer insight into possible legitimation strategies employed by the IASB;
- highlight opportunities for participation in IFRS standard-setting due process;
- reveal information about the influences on the direction of IASB and the content of IFRS; and
- recommend possible ways of improving IASB due process.

This chapter is divided into four parts including the summary of findings, the conclusions, recommendations and areas of possible future research. The summary of findings highlights the key issues and findings of the major chapters. The conclusions, recommendations for improvements of IFRS standard-setting due process and participation, and possible areas for future research are also discussed.

7.2 Summary of the study

The findings of the study are split into four chapters. Chapter two conceptualised legitimacy and dealt with the legitimacy challenges of IFRS standard-setting. Chapter three discussed the legitimacy implications of the global financial crisis. The fourth chapter analysed the legitimacy implications of due process focusing on structures, procedures and resources. Chapter five outlined the research methodology. Chapter six dealt with the participation of constituents during the development of IFRS 9 and IFRS 13. The summary of each of these chapters is discussed below.

7.2.1 The conceptualisation of legitimacy

Legitimacy was conceptualised according to both the Weberian conception and the Habermasian view. Under the Weberian conception, legitimacy can be based on rational, traditional or charismatic grounds. Rational authority, based on a belief in the legality of enacted rules and the authority of those properly elected, was found to be relevant in understanding standard-setting due process. The interpretation and application of rules makes this conception of legitimacy reliant on a bureaucracy to police procedures. The bureaucracy has the role of generating knowledge and policing rules. The role of the bureaucracy triggers a battle for its control which can lead to a legitimacy crisis.

A different conception is the Habermasian view, based on the assumption that all truth can be discursively established when affected parties engage in a practical discourse. In order to legitimate its outcomes, practical discourse should be underpinned by the non-exclusion of those who can contribute; equal opportunities for all affected to participate; the absence of coercion other than the force of a better argument; and that the only motive of participants is the cooperative search for the truth. The assumption is that any due process that satisfies these conditions should produce a legitimate outcome. Notwithstanding the perception of due process, the globalisation of IFRS and the global financial crisis have legitimacy implications.

7.2.2 The globalisation of IFRS and its legitimacy implications

The accounting standards developed by the IASB, IFRS, are permitted or required in over 145 countries across the world. Of the 145 countries, 129 and 101 countries permit or require the use of IFRS by listed and unlisted companies respectively. The reasons for permitting or requiring the use of IFRS fall into two broad groups: globalisation and the IASB’s relationship with key stakeholders. Globalisation has been driven by the expansion of multinationals, cross-border listings, the liberalisation of capital flows, integration of capital markets and technological advancement. The development of IAS, the predecessor to IFRS, was in response to a demand for harmonised accounting standards. IFRS became the obvious choice because of a perception that they are voluntary best practice that respects the sovereignty of states.

Apart from globalisation, the IASB has managed its relationship with powerful stakeholders like the EC, IOSCO and the SEC. The endorsement of IAS, the predecessor to IFRS, by IOSCO and the EC in 2000 paved the way for their worldwide acceptance. The endorsement made IFRS become a viable alternative to US GAAP. The 2007 decision by the SEC to remove the requirement for foreign firms listed on US stock exchanges to reconcile their financial statements to US GAAP also accelerated the acceptance of IFRS. The endorsement of IFRS by powerful stakeholders transformed IFRS from being voluntary soft law to mandatory hard law.

Evidence shows that countries are permitting or requiring IFRS for different reasons. Most African countries adopted IFRS because the World Bank and the IMF made adoption of IFRS a condition for aid. Adoption of IFRS has also been motivated by a lack of financial and technical resources to write their own accounting standards. Some countries, like South Africa, have adopted IFRS for strategic reasons such as accounting and corporate governance reforms in order to attract FDI inflows.

The large economies such as China, India and Japan have opted for convergence instead of the adoption of IFRS. These countries are following the example of the US which is working jointly with the IASB to converge US GAAP and IFRS. Convergence means a jurisdiction eliminates differences between IFRS and its national GAAP but does not adopt IFRS word-for-word.

The global adoption of IFRS has legitimacy implications for IFRS emanating from challenges that are internal and external to the IASB. The legitimacy challenges of IFRS that are internal to the IASB include a lack of a formal mandate from countries using IFRS, the absence of independent recourse structures, perceived capture of due process by vested interests and the narrow scope of IFRS' focus on investors' needs which limits consideration of other policy implications.

The challenges external to the IASB are mostly the existence of national GAAP and the emergence of regional standards bodies such as EFRAG, AOSSG, PAFA and GLASS that could serve as alternatives. The external challenges also emanate from the state's outcome responsibility which forces states to delegate standard-setting responsibilities to the IASB while retaining responsibility for the outcomes. The sensitivity of certain policy fields also heightens legitimacy concerns irrespective of the fairness or otherwise of due process. The global financial crisis demonstrated the sensitivities of delegating accounting standard-setting responsibilities to the IASB.

The GDP and market capitalisation proportions of the Africa region are lower than its proportion of the world population. As a result, its representation on bodies whose membership is determined by economic factors will always be low. The relationship between the IFRS governance structure and G-20 countries means the Africa region, forced by circumstances to adopt IFRS, will have to depend on South Africa for representation. The low and highly-concentrated levels of African participation in IFRS standard-setting projects may result in standards that are not relevant for the region.

7.2.3 Legitimacy implications of the global financial crisis

The global financial crisis was caused by weak regulatory oversight, poor capital and liquidity management, excessive risk taking and compensation schemes based on short term targets. A search for high yields in low credit quality investments also resulted in the creation of complex structured credit products. The complexity of these investment products forced investors to abandon normal due diligence practices and place reliance on credit ratings.

In 2007, liquidity dried up and the market for structured credit products became inactive and asset prices declined leading to valuation write-downs. Financial institutions recorded losses estimated at over US$1,4 trillion. Several other financial institutions collapsed; others were either forcibly acquired or forced to recapitalise. True to their outcome responsibility, governments guaranteed the obligations of financial institutions to save them from bankruptcy. Economic growth (GDP) contracted, unemployment rose, international trade shrank and emerging markets were disrupted by currency volatility.

IFRS, together with US GAAP, became the focus of attention. Critics blamed fair value accounting for exacerbating the crisis. This led to a debate about the role of accounting standards. The fair value debate put pressure on the IASB to act.

The IASB accelerated the revision of its accounting requirements for financial instruments. Together with the FASB, it also set up an advisory group to study the standard-setting implications of the financial crisis. The advisory group recommended improvements to IFRS oversight structures and procedures, and the accounting standards for financial instruments.

The EC forced the IASB to amend IAS 39 to allow the reclassification of financial assets out of the fair value category. The reclassification was intended to protect financial institutions using IFRS from suffering fair value losses by applying accounting provisions that were not required for similar institutions using US GAAP. The IASB obliged and issued an amendment to IAS 39 without following due process. The actions of the EC demonstrated the response of states when anticipated policy outcomes are in jeopardy. Stakeholders called for improvements in due process structures and standard-setting procedures to enhance the legitimacy of IFRS.

7.2.4 Legitimacy implications of IFRS due process

The global financial crisis led to changes in the oversight structures and due process of the IASB. The structures changed with the introduction of the Monitoring Board, the expansion of the IASB and IFRIC board membership and the introduction of additional advisory committees. The Monitoring Board was established as a third layer of governance with the responsibility of appointing and supervising the Trustees. Its membership of six is currently limited to capital market authorities of the EU, Japan, the US and three members from IOSCO. The restricted membership of the Monitoring Board is at variance with that of the IFRS Foundation and the IASB which is much broader with all IASB regions represented.

The IFRS governance structures are dominated by representatives from the European region, G-20 countries and individuals with links to IOSCO. The introduction of the Monitoring Board and the expansion of IASB and IFRIC membership resulted in the European region dominating representation (36% of all seats) on IFRS governance structures. Seventeen of the G-20 countries are represented on the IFRS governance structures. The three tiers of IFRS governance, the Monitoring Board, the IFRS Foundation and the IASB, are all headed by current and former IOSCO officials.

The due process procedures of the IASB are a six stage process: agenda setting, project planning, the publication of a discussion paper, the publication of an exposure draft, IFRS publication and post-implementation review. The different stages afford stakeholders the opportunity to participate and influence standard-setting. The IASB meetings are open to the public and stakeholders can attend in person or through electronic means. Information and consultation documents are available on the website. The decision-making process is such that the publication of an IFRS or exposure draft requires more than simple majority support by the IASB board members to limit the influence of special interests.

The publication of an IFRS is accompanied by a basis for conclusions and feedback statements to stakeholders as a way of justifying decisions.

Despite the positive aspects of due process procedures, the lack of publicly available data about participation through other methods such as round tables and field visits impedes transparency. Another concern is that stakeholders represented on governance structures and national standard-setters with formal liaison status have more opportunities for participation than the rest of the constituents. They stand a better chance of influencing the content of IFRS than the excluded constituents.

The IASB relies on funding and technical skills for its financial and operational viability. Funding contributions to the IASB are voluntary contributions as it has no enforcement mechanism. This raises concerns regarding the potential threats to the independence of IFRS standard-setting due process. The Trustees intend to broaden the contribution base by requiring jurisdictions using IFRS to pay for their share based on their proportion of GDP. The absence of an enforcement mechanism may still prove to be a major weakness.

Technical skills are availed to the IASB through board members, IASB staff and input from constituents. The IASB board members are selected from all regions based on their technical competence. The technical staff play a key role in due process as they provide input into meetings and summarise comment letters for consideration by the IASB board members. Stakeholders such as accounting firms and national standard-setters second staff to the IASB which provides the technical skills, with the possibility of the threat of dominance by special interests.

Constituents contribute to the technical skills available to the IASB through participation in IFRS standard-setting. The cost, quality and quantity of participation are important.

7.2.5 Research methodology

The study used descriptive statistics to analyse constituent participation in IFRS standard-setting due process. The mean, median and standard deviation were used as measures of location and dispersion. Graphs and tables were also used to present research findings.

The data used to analyse participation was the comment letters submitted by constituents during the development of IFRS 9 and IFRS 13. While comment letters are not the only form of participation in standard-setting due process, they are the only form of participation with publicly available data. Several scholars have relied on comment letters as a proxy for participation in standard-setting. Comment letters have also been found to be a widely used and effective form of participation in standard-setting due process.

The participation of constituents during the development of IFRS 9 and IFRS 13 generated 2 098 comment letters from across the world. The letters were submitted in response to the publication of 13 consultation documents. Three of the documents were discussion papers, one was a request for information and the remaining nine were exposure drafts.

7.2.6 Research findings: participation in IFRS standard-setting

A total of 570 participants from 48 countries submitted 1 711 comment letters during the development of IFRS 9. The development of IFRS 13 attracted 387 comment letters from 240 participants in 39 countries.

The participation of interest groups varied across all regions but financial institutions were the most active interest group overall followed by the accountancy profession, national standard-setters, corporates and associations. The least active interest groups were the academia and individuals.

The most active IASB region was Europe with over half of the comment letters followed by Asia/Oceania, North America, Africa and South America in that order. South Africa, Australia, the UK, the US and Brazil were the highest source of comment letters from Africa, Asia/Oceania, Europe, North America and South America respectively. It is worth noting that each of these countries accounted for at least a third of comment letters from their respective regions, is represented on IFRS governance structures and is a member of the G-20.

Botswana, Kenya, Rwanda, South Africa, Tanzania, Tunisia and Zambia are the countries from Africa that submitted comment letters. South Africa and Zambia were the only countries to submit comment letters for both IFRS 9 and IFRS 13.

The countries that participated in the development of both standards accounted for 28% of the 145 countries using IFRS. They also accounted for at least 75%, 87% and 93% of the population, GDP and market capitalisation of the countries using IFRS respectively. The statistics imply that the most populous jurisdictions, the large economies and those jurisdictions with advanced capital markets are participating in IFRS standard-setting due process. It is important to note that the analysis of participation was based on publicly available comment letters. It excludes participation by other means which may affect the generalisation of the results.

7.3 Conclusions

The main problem investigated by the study was the legitimacy of the financial reporting "law" that is IFRS. This "law", applied in over 100 countries, is written by 16 IASB board members who have not been formally mandated by the citizenry of these countries. The objective of this study was to assess the legitimacy of IFRS by evaluating the IASB's standard-setting due process. In doing so, it sought to highlight the legitimacy challenges of IFRS especially from the perspective of the African region and highlight opportunities for participation in IFRS standard-setting due process.

The study highlighted that the IASB's role of setting financial reporting "law" for over 100 countries is fraught with legitimacy challenges. The challenges were categorised as internal and external. The external challenges such as the state's outcome responsibilities and the sensitivity of certain policy fields are inherent to transnational governance. The internal legitimacy challenges can be mitigated by strengthening the standard-setting due process.

Due process can be strengthened by ensuring that structures are representative of the affected parties. Due process procedures should afford affected parties equal opportunities to influence the outcome. The outcome of any due process should be one arrived at rationally and which ensures a fair balance of interests. It should be a due process that includes all those who can contribute and allow for no other coercion other than the force of a better argument. When the above conditions are met, the resultant output should be considered legitimate.

The IFRS standard-setting structures are currently dominated by countries that belong to the G-20, the largest and most important economies in their geographic regions. The allocation of seats on IFRS governance structures is influenced by the size of capital markets. The EC and IOSCO, powerful stakeholders that endorsed IFRS, have been co-opted into decision-making structures. The same goes for the SEC. The impact of the current governance arrangements is that all the other countries that require or permit the use of IFRS may have to accept that the larger economies will determine the content of IFRS. Such an approach violates the practical discourse condition of the non-exclusion of those who can make a contribution. The exclusion of affected parties works against the legitimacy of IFRS as the ideal due process conditions are not met.

The IFRS standard-setting procedures are a six-stage process of agenda setting, project planning, discussion paper, exposure draft, IFRS publication and post-implementation review. The different stages offer affected parties the opportunity to participate in standard-setting. Affected parties can participate through submitting comment letters when discussion papers and exposure drafts are published for comment. The 120-day comment period appears long enough to allow for consultations. Interested parties also have the opportunity to participate in field tests and public hearings, and observe the IASB meetings in person or electronically. However, due process procedures offer more participation opportunities to stakeholders represented on governance structures and national standard-setters with formal liaison status.

7.4 Recommendations

7.4.1 Membership of IFRS governance structures

The use of IFRS is not limited to listed companies as at least 101 jurisdictions are using IFRS for reporting by unlisted companies. The allocation of IFRS governance seats based on the size of capital markets and the limiting of the Monitoring Board membership to capital markets regulators therefore seems inappropriate.

It is recommended that the Trustees of the IFRS Foundation consider using GDP as a basis of allocating IFRS governance seats. GDP is a better indicator of economic activity in a jurisdiction than the size of capital markets. It would also align with the proposal to link funding contributions to a proportion of GDP.

7.4.2 Nomination of regional representatives

IFRS are permitted or required in more than 145 countries across the five regions of the IASB. It is not practical that every country requiring or permitting the use of IFRS can be represented on IFRS governance structures. Not every country has the technical skills and financial resources to participate in IFRS standard-setting activities. Literature review revealed that developing countries were adopting IFRS because of a lack of resources to develop their own standards.

It is recommended that the nomination of regional representatives to IFRS governance structures be delegated to the regional standard-setters. The Trustees of the IFRS Foundation can continue to allocate seats to the regions and set the criteria to be met by potential nominees. The respective regions will submit a list of candidates from which the Trustees can make a final appointment. Such an arrangement would ensure that the views of jurisdictions using IFRS are considered while preserving the technical competence of decision-makers serving on IFRS governance structures.

7.4.3 Participation through associations

Africa and South America were the two regions with the least number of participants during the development of IFRS 9 and IFRS 13. They also happen to be the two regions that did not have associations participating in IFRS standard-setting.

The reasons for low participation are many and would require a separate study. The literature review in chapter two highlighted a lack of technical and financial resources as a possible reason for non-participation. The perception of due process capture by vested interests can also affect participation levels.

It is recommended that the IASB and national standard-setters promote the participation of constituents through their industry or national associations to overcome the resources constraint. Such an approach could improve participation to the extent that non-participation may be due to technical and financial resources constraints.

7.5 Future research

7.5.1 Perception of IFRS

This study has deduced the legitimacy of IFRS from an assessment of IFRS standard-setting due process. However, a perception of legitimacy has a lot to do with traditions, beliefs and cultures. It may be worthwhile to conduct a survey to understand constituents' perception of the legitimacy of IFRS across the different IASB regions.

7.5.2 Liaison with national standard-setters and regulators

The IASB cannot sanction the use of IFRS in the different jurisdictions. The national standard-setters or designated regulators have that mandate. The IFRS Due Process Handbook only identifies a handful of national standard-setters with formal liaison relationships. The relationship between the IASB and national standard-setters deserve special scrutiny to understand why the latter agrees and continues to mandate the use of IFRS in their jurisdictions.

7.5.3 Participation through other methods

The inability to study participation through other methods remains the limitation of most similar studies. The confidentiality of such participation may encourage constituents to be more open with the IASB. A study of participation through other methods should be pursued to improve the understanding of how constituents attempt to influence the IASB.

Annexure A: Use of IFRS around the world

Jurisdiction	IFRS Region	Statistics				Use of IFRS		IFRSF Oversight Representation				
		Population (Millions)	GDP (US$bn)	Market Capitalisation (US$bn)	G-20	Listed companies	Unlisted companies	2011 IFRS Funding	Monitoring Board	IFRS Foundation	IASB	IFRIC
Botswana	Africa	1.97	13.52	4.31		1	1	-				
Egypt	Africa	79.03	173.03	89.96		1	0	-				
Eritrea	Africa	5.03	1.75	-		0	1	-				
Gambia	Africa	1.66	0.95	-		0	1	-				
Ghana	Africa	23.55	28.48	3.02		1	1	-				
Kenya	Africa	39.01	29.44	11.85		1	1	-				
Lesotho	Africa	2.14	1.83	-		1	0	-				
Liberia	Africa	3.73	0.87	-		0	1	-				
Libya	Africa	6.18	70.95	-		1	1	-				
Madagascar	Africa	19.85	8.23	-		0	1	-				
Malawi	Africa	14.25	4.36	1.48		1	0	-				
Mauritius	Africa	1.27	8.97	5.08		1	1	-				
Morocco	Africa	31.48	85.28	63.79		1	0	-				
Mozambique	Africa	22.60	9.45	-		1	1	-				
Namibia	Africa	2.22	9.67	0.84		1	0	-				
Nigeria	Africa	152.72	186.87	48.74		1	0	100,769				
Reunion	Africa	0.80	17.64	-		0	1	-				
Sierra Leone	Africa	5.67	1.84	-		1	1	-				
South Africa	Africa	49.11	312.64	768.82	1	1	1	-		1	1	
Swaziland	Africa	1.04	3.27	0.20		1	0	-				
Tanzania	Africa	42.97	19.98	1.40		1	1	-				
Uganda	Africa	31.89	14.36	2.74		1	0	-				
Zambia	Africa	12.55	14.18	3.21		1	1	-				

Jurisdiction	IFRS Region	Statistics				Use of IFRS		IFRSF Oversight Representation				
		Population (Millions)	GDP (US$bn)	Market Capitalisation (US$bn)	G-20	Listed companies	Unlisted companies	2011 IFRS Funding	Monitoring Board	IFRS Foundation	IASB	IFRIC
Zimbabwe	Africa	12.54	6.39	8.74		1	0	-				
	Africa	563.30	1,023.96	1,014.19	1	19	15	100,769	0	1	1	0
Australia	Asia/Oceania	21.69	1,016.00	1,163.51	1	1	1	1,020,632		1		
Bahrain	Asia/Oceania	1.09	20.24	20.82		1	1	-				
Bangladesh	Asia/Oceania	146.33	85.03	10.56		1	0	-				
Brunei Darussalam	Asia/Oceania	0.39	12.26	-		0	1	-				
Cambodia	Asia/Oceania	13.90	10.13	-		0	1	-				
China	Asia/Oceania	1,327.82	4,824.79	4,100.97	1	1	1	1,302,746		1	1	1
Fiji	Asia/Oceania	0.85	3.32	1.02		1	1	-				
Hong Kong	Asia/Oceania	6.98	214.97	1,045.29		1	1	193,352		1		
India	Asia/Oceania	1,199.29	1,384.21	1,182.32	1	1	0	414,230		1	1	
Iraq	Asia/Oceania	30.66	74.89	-		1	1	-				
Israel	Asia/Oceania	7.40	194.92	181.54		1	1	-				
Japan	Asia/Oceania	127.68	4,992.17	3,903.07	1	1	0	2,764,111	2	2	1	1
Jordan	Asia/Oceania	5.85	22.20	32.78		1	0	-				
Kazakhstan	Asia/Oceania	15.91	128.14	46.31		1	1	9,684				
Kuwait	Asia/Oceania	2.59	128.42	123.43		1	1	-				
Kyrgyzstan	Asia/Oceania	5.36	4.53	0.10		1	1	-				
Laos	Asia/Oceania	6.07	5.74	-		1	0	-				
Lebanon	Asia/Oceania	4.18	32.28	10.74		1	1	-				
Macau	Asia/Oceania	0.52	23.23	-		0	1	-				
Malaysia	Asia/Oceania	27.72	212.58	301.61		1	0	64,661	1			
Maldives	Asia/Oceania	0.31	1.80	-		1	1	-				
Mongolia	Asia/Oceania	2.69	5.43	0.71		1	1	-				
Myanmar	Asia/Oceania	47.45	-	-		1	0	-				

Jurisdiction	IFRS Region	Statistics				Use of IFRS		IFRSF Oversight Representation				
		Population (Millions)	GDP (US$bn)	Market Capitalisation (US$bn)	G-20	Listed companies	Unlisted companies	2011 IFRS Funding	Monitoring Board	IFRS Foundation	IASB	IFRIC
Nepal	Asia/Oceania	29.17	13.29	4.41		1	1	-				
New Caledonia	Asia/Oceania	0.24	-	-		0	1	-				
New Zealand	Asia/Oceania	4.30	129.42	48.60		1	1	158,678			1	1
Oman	Asia/Oceania	2.67	52.63	18.57		1	1	-				
Palestinian Territory	Asia/Oceania	-	-	2.45		1	0	-				
Papua New Guinea	Asia/Oceania	6.63	8.38	9.96		1	0	-				
Qatar	Asia/Oceania	1.46	108.83	95.04		1	0	-				
Russia	Asia/Oceania	142.05	1,419.74	936.62	1	1	0	-				
Samoa	Asia/Oceania	0.18	0.55	-		0	1	-				
Saudi Arabia	Asia/Oceania	26.47	437.02	349.89		1	0	-				
Singapore	Asia/Oceania	4.85	183.86	299.84	1	1	0	95,778				
South Korea	Asia/Oceania	49.05	982.93	895.57	1	1	1	705,391		1	1	
Sri Lanka	Asia/Oceania	20.35	42.02	11.19		1	0	-				
Tajikistan	Asia/Oceania	6.74	4.81	-		1	1	-				
Turkey	Asia/Oceania	71.37	671.20	216.85	1	1	0	-				
United Arab Emirates	Asia/Oceania	6.44	287.22	128.19		1	1	-				
Vanuatu	Asia/Oceania	0.23	0.61	-		0	1	-				
Yemen	Asia/Oceania	23.01	26.26	-		0	1	-				
	Asia/Oceania	3,397.94	17,766.07	15,141.95	8	34	26	6,729,264	3	7	5	3
Armenia	Europe	3.08	9.25	0.09		1	1	-				
Austria	Europe	8.35	381.83	115.99		1	1	-				
Azerbaijan	Europe	8.83	43.91	-		1	1	-				
Belarus	Europe	9.58	50.44	-		1	1	-				
Belgium	Europe	10.76	469.77	285.12		1	1	-				
Bosnia and Herzegovina	Europe	3.77	16.34	-		1	0	-				

Jurisdiction	IFRS Region	Statistics				Use of IFRS		IFRSF Oversight Representation				
		Population (Millions)	GDP (US$bn)	Market Capitalisation (US$bn)	G-20	Listed companies	Unlisted companies	2011 IFRS Funding	Monitoring Board	IFRS Foundation	IASB	IFRIC
Bulgaria	Europe	7.60	46.16	10.60		1	1	8,456				
Croatia	Europe	4.43	61.21	32.35		1	1	-				
Cyprus	Europe	1.08	22.83	11.34		1	1	6,900				
Czech Republic	Europe	10.43	193.89	50.83		1	1	-				
Denmark	Europe	5.51	314.28	206.40		1	1	-				
Estonia	Europe	1.34	20.48	3.41		1	1	-				
Finland	Europe	5.33	244.71	190.21		1	1	-				
France	Europe	64.54	2,601.94	2,026.56	1	1	1	1,377,609	1	2	1	1
Georgia	Europe	4.42	11.25	0.83		1	1	-				
Germany	Europe	82.03	3,329.73	1,460.50	1	1	1	1,536,466		1	1	2
Gibraltar	Europe	0.03	12.00	-		1	1	-				
Greece	Europe	11.25	304.63	120.77		1	1	-				
Hungary	Europe	10.03	133.03	30.49		1	1	-				
Iceland	Europe	0.31	15.44	14.56		1	1	-				
Ireland	Europe	4.41	232.15	75.96		1	1	10,037				
Italy	Europe	59.93	2,109.50	614.52	1	1	1	1,066,865		1		1
Latvia	Europe	2.26	26.75	1.93		1	1	-				
Liechtenstein	Europe	0.04	4.59	-		1	1	-				
Lithuania	Europe	3.33	38.72	6.36		1	1	-				
Luxembourg	Europe	0.49	52.67	97.73		1	1	-				
Macedonia	Europe	2.05	8.86	1.79		1	0	-				
Malta	Europe	0.41	7.93	3.59		1	1	-				
Montenegro	Europe	0.63	3.95	3.26		1	1	-				
Netherlands	Europe	16.50	789.16	653.75		1	1	564,109		1	1	
Norway	Europe	4.80	410.95	243.64		1	1	-				

Jurisdiction	IFRS Region	Statistics				Use of IFRS		IFRSF Oversight Representation				
		Population (Millions)	GDP (US$bn)	Market Capitalisation (US$bn)	G-20	Listed companies	Unlisted companies	2011 IFRS Funding	Monitoring Board	IFRS Foundation	IASB	IFRIC
Poland	Europe	38.16	451.92	151.73		1	1	-				
Portugal	Europe	10.62	230.71	91.25		1	1	24,209				
Romania	Europe	21.49	165.75	30.26		1	1	-				
Serbia	Europe	7.34	39.93	12.78		1	1	-				
Slovakia	Europe	5.41	86.89	5.20		1	1	-				
Slovenia	Europe	2.03	47.73	13.91		1	1	-				
Spain	Europe	45.46	1,433.49	1,261.52		1	1	562,030	1	1		
Sweden	Europe	9.26	458.93	486.98		1	1	-			1	
Switzerland	Europe	7.69	497.65	1,096.99		1	0	315,039				
Ukraine	Europe	46.20	141.56	43.47		1	1	-				
United Kingdom	Europe	61.61	2,458.05	2,768.38	1	1	1	1,388,987			1	3
	Europe	602.83	17,980.98	12,225.02	4	42	39	6,860,709	2	6	5	7
American Samoa	North America	0.07	0.50	-		0	1	-				
Anguilla	North America	0.02	0.10	-		1	0	-				
Antigua & Barbuda	North America	0.09	1.22	-		1	1	-				
Aruba	North America	0.11	-	-		1	0	-				
Bahamas	North America	0.34	7.97	-		1	0	-				
Barbados	North America	0.27	3.61	4.81		1	1	-				
Belize	North America	0.33	1.35	-		0	1	-				
Bermuda	North America	0.06	5.79	1.95		1	0	-				
Canada	North America	33.53	1,476.00	1,772.87	1	1	1	817,775		1		1
Costa Rica	North America	4.56	30.88	1.70		1	1	-				
Dominica	North America	0.07	0.45	-		1	0	-				
Dominican Republic	North America	9.73	46.17	-		1	1	-				
El Salvador	North America	6.15	20.87	5.17		1	0	-				

Jurisdiction	IFRS Region	Statistics				Use of IFRS		IFRSF Oversight Representation				
		Population (Millions)	GDP (US$bn)	Market Capitalisation (US$bn)	G-20	Listed companies	Unlisted companies	2011 IFRS Funding	Monitoring Board	IFRS Foundation	IASB	IFRIC
Greenland	North America	0.06	1.36	-		0	1	-				
Grenada	North America	0.10	0.78	-		1	0	-				
Guatemala	North America	13.88	38.24	-		1	1	-				
Haiti	North America	9.80	6.28	-		1	1	-				
Honduras	North America	7.38	13.96	-		1	1	-				
Jamaica	North America	2.69	13.39	8.70		1	1	-				
Mexico	North America	111.32	1,026.04	363.71	1	1	0	-				
Nicaragua	North America	5.68	6.23	-		1	1	-				
Panama	North America	3.43	23.58	8.02		1	1	-				
St Kitts and Nevis	North America	0.05	0.68	0.53		1	0	-				
Trinidad & Tobago	North America	1.33	21.90	13.56		1	1	-				
United States	North America	305.24	14,150.05	16,494.63	1	1	0	2,803,325	1	5	3	3
Virgin Islands (British)	North America	0.01	0.80	-		1	0	-				
	North America	516.28	16,898.20	18,675.65	3	23	15	3,621,099	1	6	3	4
Argentina	South America	39.89	320.55	62.52	1	1	0	-				
Bolivia	South America	9.70	17.11	2.91		1	0	-				
Brazil	South America	192.36	1,724.84	1,102.12	1	1	0	369,545		1	1	
Cayman Islands	South America	0.06	-	0.18		1	0	-				
Chile	South America	16.87	190.81	223.54		1	1	-				
Ecuador	South America	14.16	53.07	4.69		1	1	-				
Guyana	South America	0.75	1.88	0.30		1	1	-				
Paraguay	South America	6.29	15.81	0.50		1	1	-				
Peru	South America	28.62	130.64	78.36		1	0	-				
Suriname	South America	0.52	3.47	-		1	1	-				
Uruguay	South America	3.34	31.66	0.15		1	0	-				

Jurisdiction	IFRS Region	Statistics				Use of IFRS		IFRSF Oversight Representation				
		Population (Millions)	GDP (US$bn)	Market Capitalisation (US$bn)	G-20	Listed companies	Unlisted companies	2011 IFRS Funding	Monitoring Board	IFRS Foundation	IASB	IFRIC
Venezuela	South America	28.16	294.86	6.00		1	1	-				
	South America	340.71	2,784.71	1,481.28	2	12	6	369,545	0	1	1	0
	GRAND TOTAL	5,421.05	56,453.91	48,538.08	18	130	101	17,681,387	6	21	15	14

Source: IASPlus (No date), The World Bank (No date), IFRSF (2012a)

Annexure B: Comment letters submitted during the development of IFRS 9

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Botswana Institute of Accountants	Botswana	Africa	Accountancy	0	0	0	1	0	0	0	0	0	0	1
The Institute of Certified Public Accountants of Kenya	Kenya	Africa	Accountancy	0	0	0	0	0	0	0	0	0	1	1
Institute Of Certified Public Accountant of Rwanda	Rwanda	Africa	Accountancy	0	0	0	0	0	0	0	0	0	1	1
De Beers	South Africa	Africa	Corporate	1	0	0	0	0	0	0	0	0	0	1
Eskom Holdings Limited	South Africa	Africa	Corporate	0	0	0	0	0	0	0	1	0	0	1
FirstRand Banking Group	South Africa	Africa	Financial Institution	1	0	0	1	0	0	0	0	0	1	3
JSE Limited	South Africa	Africa	Corporate	1	0	0	0	0	0	0	0	0	0	1
Kevin Frohbus and Suzanna de Jager	South Africa	Africa	Individual	0	1	0	0	0	0	0	0	0	0	1
Sappi Limited	South Africa	Africa	Corporate	0	1	0	1	0	0	0	1	0	0	3
South African Institute of Chartered Accountants	South Africa	Africa	National standard-setter	1	2	1	1	1	2	1	1	1	1	12
The Banking Association of South Africa	South Africa	Africa	Financial Institution	1	0	1	0	0	0	0	0	0	0	2
Transnet Limited	South Africa	Africa	Corporate	0	0	0	0	0	0	0	1	0	0	1
The National Board of Accountants and Auditors of Tanzania	Tanzania	Africa	National standard-setter	0	1	0	0	0	0	0	0	0	0	1
African Development Bank	Tunisia	Africa	Financial Institution	0	0	0	1	1	0	0	0	0	0	2
Zambia Institute of Chartered Accountants (ZICA)	Zambia	Africa	National standard-setter	0	0	0	1	1	0	1	1	1	1	6
ANZ	Australia	Asia/Oceania	Financial Institution	1	1	1	1	1	1	1	1	1	0	9
Argo Investments Limited	Australia	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Australasian Council of Auditors- General	Australia	Asia/Oceania	Regulator	0	0	0	1	0	0	1	1	0	0	3
Australian Accounting Standards Board	Australia	Asia/Oceania	National standard-setter	1	1	1	1	1	1	1	1	1	2	11
Australian Bankers' Association	Australia	Asia/Oceania	Financial Institution	1	0	1	1	1	0	1	1	0	0	6
Australian Foundation Investment Company Ltd	Australia	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Australian Heads of Treasuries Accounting and Reporting Advisory Committee	Australia	Asia/Oceania	Association	1	1	1	1	1	1	1	0	1	1	9
Australian Institute of Company Directors	Australia	Asia/Oceania	Association	1	1	0	0	0	0	0	0	0	1	3
Australian Listed Investment Companies Association	Australia	Asia/Oceania	Association	0	1	0	0	0	0	0	0	0	0	1
Australian Securitisation Forum	Australia	Asia/Oceania	Financial Institution	0	0	0	1	1	0	0	0	0	0	2
Australian State Central Borrowing Authorities	Australia	Asia/Oceania	Regulator	0	0	0	0	0	0	1	0	0	0	1
Baycorp	Australia	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
BHP Billiton	Australia	Asia/Oceania	Corporate	1	0	0	0	0	0	0	0	0	0	1
Commonwealth Bank of Australia	Australia	Asia/Oceania	Financial Institution	0	1	1	1	1	1	1	1	1	1	9

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Department of Finance and Deregulation	Australia	Asia/Oceania	Regulator	0	0	1	0	0	0	1	0	0	0	2
ETSA Utilities	Australia	Asia/Oceania	Corporate	1	0	0	0	0	0	0	0	0	0	1
Finance and Treasury Association	Australia	Asia/Oceania	Association	1	0	0	0	0	0	0	1	0	0	2
Group of 100	Australia	Asia/Oceania	Association	1	1	1	1	1	1	0	1	1	1	9
Ian Langfield-Smith	Australia	Asia/Oceania	Individual	0	0	0	0	0	0	1	0	0	0	1
Institute of Actuaries of Australia	Australia	Asia/Oceania	Association	0	1	0	0	0	1	1	0	0	0	3
Institute of Chartered Accountants	Australia	Asia/Oceania	Financial Institution	1	0	0	0	0	0	0	0	0	0	1
Joint Accounting Bodies in Australia	Australia	Asia/Oceania	Accountancy	0	1	0	1	1	1	1	1	1	1	8
Macquarie Group	Australia	Asia/Oceania	Financial Institution	0	0	0	0	0	0	0	0	0	1	1
National Australia Bank	Australia	Asia/Oceania	Financial Institution	1	1	1	1	1	1	1	1	1	1	10
NCML	Australia	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
NSW Treasury	Australia	Asia/Oceania	Regulator	0	1	0	0	0	0	1	0	0	0	2
Origin Energy Limited	Australia	Asia/Oceania	Corporate	0	0	0	0	0	0	0	1	0	0	1
Qantas	Australia	Asia/Oceania	Corporate	0	0	0	0	0	0	0	1	0	0	1
QBE Insurance Group	Australia	Asia/Oceania	Financial Institution	1	1	0	0	0	1	0	1	0	1	5
Telstra	Australia	Asia/Oceania	Corporate	1	1	1	1	0	1	0	1	1	0	7
Wesfarmers Limited	Australia	Asia/Oceania	Corporate	0	0	0	0	0	0	0	1	0	0	1
Westpac	Australia	Asia/Oceania	Financial Institution	0	1	1	1	1	0	0	1	1	1	7
Agricultural Bank of China	China	Asia/Oceania	Financial Institution	0	1	0	1	0	0	0	0	0	0	2
Bank of China	China	Asia/Oceania	Financial Institution	0	1	0	1	1	0	0	1	0	0	4
China Accounting Standards Committee	China	Asia/Oceania	National standard-setter	0	0	0	1	1	0	0	1	1	1	5
China Construction Bank Corporation	China	Asia/Oceania	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
China Development Bank	China	Asia/Oceania	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
China Life Insurance Comany Limited	China	Asia/Oceania	Financial Institution	0	0	0	0	0	0	0	1	0	0	1
China Ministry of Finance	China	Asia/Oceania	Regulator	0	1	0	0	1	0	1	0	0	0	3
Grant Thornton China	China	Asia/Oceania	Accountancy	0	0	0	0	0	0	0	1	0	0	1
Petrochina	China	Asia/Oceania	Corporate	0	0	0	0	0	0	0	1	0	0	1
Ping An Insurance Company of China	China	Asia/Oceania	Financial Institution	0	1	0	0	0	0	1	0	0	0	2
Zhongrui Yuehua Certified Public Accountants	China	Asia/Oceania	Accountancy	0	0	0	0	0	0	1	0	0	0	1
Hong Kong Association of Banks	Hong Kong	Asia/Oceania	Financial Institution	0	0	0	0	1	0	0	0	1	0	2
Hong Kong Exchanges & Clearing Ltd	Hong Kong	Asia/Oceania	Financial Institution	0	0	0	0	0	0	0	1	0	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Hong Kong Institute of Certified Public Accountants	Hong Kong	Asia/Oceania	Accountancy	1	1	1	1	1	1	1	1	1	1	10
Jardine Matheson Ltd.	Hong Kong	Asia/Oceania	Corporate	0	0	0	0	0	0	0	1	0	1	2
Simon Lee	Hong Kong	Asia/Oceania	Individual	0	1	0	0	0	0	0	0	0	0	1
Stock Exchange of Hong kong	Hong Kong	Asia/Oceania	Financial Institution	0	0	0	1	1	0	0	0	1	0	3
The Hong Kong Association of Banks	Hong Kong	Asia/Oceania	Financial Institution	0	0	0	1	0	0	1	1	0	0	3
Hindalco Industries Limited	India	Asia/Oceania	Corporate	0	0	0	0	0	0	0	1	0	0	1
Indian Banks' Association	India	Asia/Oceania	Financial Institution	0	1	0	1	1	0	1	1	1	1	7
Institute of Chartered Accountants in India	India	Asia/Oceania	Accountancy	1	1	1	1	0	1	0	1	1	1	8
Larsen & Toubro Limited	India	Asia/Oceania	Corporate	0	1	0	1	0	0	1	1	1	0	5
Mahindra and Mahindra	India	Asia/Oceania	Corporate	0	1	0	0	0	0	0	0	0	0	1
NeoCFO	India	Asia/Oceania	Corporate	0	0	1	1	0	0	1	1	0	0	4
Rakesh Choudary	India	Asia/Oceania	Individual	0	0	0	0	0	0	0	0	1	0	1
Reserve Bank of India	India	Asia/Oceania	Regulator	0	1	0	0	1	0	0	0	0	0	2
Securities and Exchange Board of India	India	Asia/Oceania	Regulator	0	1	0	1	1	0	1	1	0	1	6
V C Kulkarni	India	Asia/Oceania	Individual	1	0	0	0	0	0	0	0	0	0	1
Venkata Subramani Ram	India	Asia/Oceania	Individual	0	0	0	0	0	0	0	1	0	0	1
Vidhyadhar Kulkarni	India	Asia/Oceania	Individual	0	0	0	0	1	0	0	1	0	1	3
Iran Audit Organization	Iran	Asia/Oceania	Regulator	0	1	0	0	0	0	0	0	0	0	1
Bank Hapoalim	Israel	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Institute of Certified Public Accountants in Israel	Israel	Asia/Oceania	Accountancy	0	0	0	0	0	0	0	0	0	1	1
Israel Accounting Standards Board, Tel Aviv	Israel	Asia/Oceania	National standard-setter	1	1	0	1	0	0	1	1	0	0	5
Israel Securities Authority	Israel	Asia/Oceania	Regulator	0	0	0	0	0	0	0	0	0	1	1
Accounting Standards Board of Japan	Japan	Asia/Oceania	National standard-setter	1	1	0	1	1	1	1	1	1	1	9
Asian-Oceanian Standard-Setters Group (AOSSG)	Japan	Asia/Oceania	National standard-setter	0	0	0	1	1	0	1	1	1	1	6
Corporate Finance and Treasury Association of Japan	Japan	Asia/Oceania	Association	0	1	0	0	0	0	0	0	0	0	1
Fujitsu Limited	Japan	Asia/Oceania	Corporate	0	1	1	1	0	0	0	0	0	0	3
GNAIE and Four Japanese Life Insurance Companies	Japan	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Japan Foreign Trade Council	Japan	Asia/Oceania	Association	0	1	0	0	1	0	0	1	1	1	5
Japanese Bankers Association	Japan	Asia/Oceania	Financial Institution	1	1	1	0	1	0	1	1	1	1	8
Japanese Institute of Certified Public Accountants	Japan	Asia/Oceania	Accountancy	1	1	1	1	1	1	1	1	1	1	10
Life Insurance Association of Japan	Japan	Asia/Oceania	Financial Institution	1	1	1	1	1	1	1	1	0	1	9

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Makoto Ito	Japan	Asia/Oceania	Individual	0	0	0	0	0	1	0	0	0	0	1
Mizuho Securities Co.,Ltd.	Japan	Asia/Oceania	Financial Institution	0	0	0	0	0	0	0	1	0	0	1
Nippon Keidanren	Japan	Asia/Oceania	Association	0	1	0	0	0	0	0	0	0	0	1
Nomura Holdings, Inc.	Japan	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	1	0	2
Shinkin Central Bank	Japan	Asia/Oceania	Regulator	0	0	0	0	1	0	0	1	0	0	2
Sumitomo Corporation	Japan	Asia/Oceania	Corporate	0	0	0	0	0	0	1	0	0	0	1
Takatsugu Ochi	Japan	Asia/Oceania	Individual	0	1	0	0	0	0	0	0	0	0	1
Takeshi Imamura	Japan	Asia/Oceania	Individual	0	0	0	0	0	1	0	0	0	0	1
The General Insurance Association of Japan	Japan	Asia/Oceania	Financial Institution	1	1	0	0	0	0	0	0	0	0	2
The National Association of Shinkin Banks and Shinkin Central Bank	Japan	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
The Norinchukin Bank	Japan	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
The Security Analysts Association of Japan	Japan	Asia/Oceania	Association	0	1	0	1	1	1	1	1	0	0	6
Tokio Marine Holdings, Inc	Japan	Asia/Oceania	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Tokyo Bankers Association	Japan	Asia/Oceania	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
Malaysian Accounting Standards Board	Malaysia	Asia/Oceania	National standard-setter	1	1	1	1	1	1	1	1	1	1	10
Public Bank Berhad	Malaysia	Asia/Oceania	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
Fonterra Co-operative Group Limited	New Zealand	Asia/Oceania	Corporate	0	0	0	0	0	0	0	1	0	0	1
Genesis Power Limited & Meridian Energy Limited	New Zealand	Asia/Oceania	Corporate	1	0	0	0	0	0	0	0	0	0	1
Institute of Chartered Accountants of New Zealand (ICANZ)	New Zealand	Asia/Oceania	National standard-setter	1	1	0	1	1	0	1	1	0	1	7
Landcorp Farming Ltd	New Zealand	Asia/Oceania	Corporate	0	1	0	0	0	0	0	0	0	0	1
New Zealand Securities Commission	New Zealand	Asia/Oceania	Regulator	1	1	0	1	1	1	1	0	0	0	6
New Zealand Treasury	New Zealand	Asia/Oceania	Regulator	0	1	0	0	0	0	0	0	0	0	1
Simon Cole	New Zealand	Asia/Oceania	Individual	0	0	0	0	0	0	0	1	0	0	1
The New Zealand Treasury	New Zealand	Asia/Oceania	Regulator	0	0	0	0	0	0	1	0	0	0	1
Institute of Chartered Accountants of Pakistan	Pakistan	Asia/Oceania	Accountancy	1	1	0	1	1	0	1	1	1	0	7
Central Bank of Russia	Russia	Asia/Oceania	Regulator	1	0	0	1	0	1	1	0	0	0	4
DBS Bank	Singapore	Asia/Oceania	Financial Institution	0	0	0	1	1	0	0	1	0	0	3
Institute of Certified Public Accountants of Singapore	Singapore	Asia/Oceania	Accountancy	0	0	0	1	0	0	1	0	1	0	3
Kim Chiu Chua	Singapore	Asia/Oceania	Individual	0	0	0	0	1	0	0	0	0	0	1
Pearl Tan	Singapore	Asia/Oceania	Individual	0	0	0	1	0	0	1	1	0	0	3
Singapore Accounting Standards Council	Singapore	Asia/Oceania	National standard-setter	1	1	1	1	1	1	1	1	1	1	10

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Industrial Bank of Korea	South Korea	Asia/Oceania	Financial Institution	0	0	1	0	0	0	0	0	0	0	1
Korea Accounting Institute	South Korea	Asia/Oceania	National standard-setter	1	1	0	0	0	0	0	1	0	1	4
Korean Accounting Association	South Korea	Asia/Oceania	Accountancy	0	0	0	0	0	0	0	1	0	0	1
Korean Accounting Standards Board	South Korea	Asia/Oceania	National standard-setter	0	0	1	1	1	1	1	1	1	0	7
The Korea Shipbuilders' Association	South Korea	Asia/Oceania	Association	0	0	0	0	0	0	0	1	0	0	1
Federation of Accounting Professions Thailand	Thailand	Asia/Oceania	Accountancy	0	0	0	1	0	0	0	1	0	0	2
Turkish Accounting Standards Board	Turkey	Asia/Oceania	National standard-setter	0	0	0	0	0	0	0	0	0	1	1
DFSA	United Arab Emirates	Asia/Oceania	Regulator	0	1	0	0	0	0	1	0	0	0	2
AFRAC	Austria	Europe	National standard-setter	1	1	1	1	1	1	1	1	1	1	10
Austrian Bankers' Association	Austria	Europe	Financial Institution	0	0	0	0	0	0	0	0	1	1	2
Austrian Federal Economic Chamber	Austria	Europe	Association	0	1	1	0	0	0	0	0	0	0	2
Erste Group	Austria	Europe	Financial Institution	0	1	0	0	0	0	1	1	0	0	3
AMICE	Belgium	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
ATEB	Belgium	Europe	Association	0	0	0	0	0	0	0	1	0	0	1
BDO	Belgium	Europe	Accountancy	0	1	0	1	1	0	1	1	1	1	7
Belgian Accounting Standards Boards	Belgium	Europe	National standard-setter	0	0	0	1	0	0	0	1	1	1	4
Belgian Bankers Association	Belgium	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Belgian Financial Sector Federation (Febelfin)	Belgium	Europe	Financial Institution	0	0	1	1	0	1	1	0	1	0	5
BUSINESSEUROPE	Belgium	Europe	Association	1	1	1	1	1	1	1	1	1	1	10
CEA	Belgium	Europe	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
Club of Long Term Investors	Belgium	Europe	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
Comité Européen des Assurances	Belgium	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Dexia	Belgium	Europe	Financial Institution	0	1	0	1	1	0	0	1	1	0	5
EFFAS	Belgium	Europe	Association	0	1	0	1	1	0	0	1	0	0	4
EFRAG	Belgium	Europe	National standard-setter	1	1	1	1	1	1	1	1	1	1	10
European Association of Cooperative Banks (EACB)	Belgium	Europe	Financial Institution	0	1	1	1	1	1	1	1	1	0	8
European Association of Public Banks (EAPB)	Belgium	Europe	Financial Institution	0	1	0	1	0	0	0	1	0	0	3
European Banking Federation	Belgium	Europe	Financial Institution	1	1	1	1	1	1	1	1	1	1	10
European Commission	Belgium	Europe	Regulator	0	1	0	1	0	0	0	0	0	0	2
European Federation of Accountants and Auditors for SMEs	Belgium	Europe	Association	0	0	0	0	0	0	0	0	1	0	1
European Federation of Building Societies	Belgium	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
European Savings Bank Group	Belgium	Europe	Financial Institution	1	1	0	0	1	0	1	0	0	0	4
FEE	Belgium	Europe	Accountancy	1	1	1	1	1	1	1	1	1	1	10
FIEC	Belgium	Europe	Association	0	1	0	0	0	0	0	0	0	0	1
International Energy Accounting Forum (IEAF)	Belgium	Europe	Association	0	0	0	0	0	0	0	1	0	0	1
International Private Equity and Venture Capital Valuation Board	Belgium	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
World Savings Banks/Institute aisbl /ESB	Belgium	Europe	Financial Institution	0	0	0	1	0	0	0	1	0	1	3
Czech Banking Association	Czech Republic	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Association of Danish Mortgage Banks	Denmark	Europe	Financial Institution	0	2	0	1	0	0	1	0	0	0	4
Danish Financial Supervisory Authority	Denmark	Europe	Regulator	0	0	0	0	0	0	1	0	0	0	1
Danish Insurance Association	Denmark	Europe	Financial Institution	1	1	0	0	0	0	0	0	0	0	2
Foreningen af Statsautoriserede Revisorer (FSR)	Denmark	Europe	National standard-setter	1	1	1	1	0	0	0	0	0	0	4
NYkredit	Denmark	Europe	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
SimCorp	Denmark	Europe	Corporate	0	0	0	1	0	0	0	0	0	0	1
Bank working goup	Europe	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
European Insurance CFO Forum	Europe	Europe	Association	1	1	1	1	1	1	2	1	1	1	11
Turku School of Economics	Finland	Europe	Academia	1	0	0	0	0	0	0	0	0	0	1
ACTEO, AFEP, MEDEF	France	Europe	Association	1	1	1	1	1	1	2	1	1	1	11
Association Française des Trésoriers d'Entreprise (AFTE)	France	Europe	Association	1	1	0	0	0	0	0	1	0	1	4
Autorité des normes comptables	France	Europe	National standard-setter	0	0	0	1	1	0	1	1	1	1	6
BNP Paribas	France	Europe	Financial Institution	1	1	0	1	1	1	1	1	1	1	9
BPCE	France	Europe	Financial Institution	0	1	0	1	1	0	1	1	1	1	7
Caisse d'Epargne	France	Europe	Financial Institution	1	0	0	0	0	0	0	0	0	0	1
Caisse des Dépôts	France	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
CESR FIN	France	Europe	Regulator	0	1	0	0	0	0	0	0	0	0	1
Confederation Nationale Du Credit Mutuel	France	Europe	Financial Institution	1	0	0	1	0	0	0	0	0	0	2
Conseil national de la comptabilite	France	Europe	National standard-setter	1	1	1	0	0	1	0	0	0	0	4
Credit Agricole S.A.	France	Europe	Financial Institution	0	1	0	0	0	0	0	1	0	0	2
Credit Mutuel	France	Europe	Financial Institution	0	1	0	0	1	0	0	0	0	0	2
EDF SA	France	Europe	Corporate	0	1	0	0	0	0	0	0	0	1	2
European Association of Corporate Treasurers	France	Europe	Association	1	1	0	0	0	0	0	1	0	1	4
European Securities and Markets Authority (ESMA)	France	Europe	Regulator	0	0	0	0	1	0	0	0	1	1	3

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Federation Francaise des Societes d'Assurances	France	Europe	Financial Institution	0	1	1	1	1	1	1	1	0	0	7
French Banking Federation	France	Europe	Financial Institution	1	1	1	1	1	1	1	1	1	1	10
French National Public Works Federation	France	Europe	Association	1	0	0	0	0	0	0	0	0	0	1
GDF SUEZ	France	Europe	Corporate	1	0	0	0	0	0	0	1	0	0	2
Groupe Banque Populaire	France	Europe	Financial Institution	1	0	0	0	0	0	0	0	0	0	1
L'OREAL	France	Europe	Corporate	0	1	0	0	0	0	0	1	0	0	2
Mazars	France	Europe	Accountancy	1	1	1	1	1	1	1	1	1	1	10
Nicki Tillinghast	France	Europe	Individual	1	0	0	0	0	0	0	0	0	0	1
Societé Générale	France	Europe	Financial Institution	1	1	0	1	1	1	1	1	1	1	9
Allianz	Germany	Europe	Financial Institution	1	1	1	0	1	1	0	1	0	0	6
Alois Knobloch	Germany	Europe	Individual	0	0	0	0	0	1	0	0	0	0	1
Association of German Banks	Germany	Europe	Financial Institution	0	0	0	0	0	1	0	0	0	0	1
Association of German Public Sector Banks	Germany	Europe	Financial Institution	0	0	0	0	0	1	0	0	0	0	1
BMW Group	Germany	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
CEIOPS	Germany	Europe	Regulator	1	1	0	0	0	0	1	0	0	0	3
Chris Barnard	Germany	Europe	Individual	0	0	0	0	1	0	1	1	1	1	5
Commerzbank	Germany	Europe	Financial Institution	0	1	0	1	1	0	0	1	1	1	6
Daimler	Germany	Europe	Corporate	1	0	0	1	1	0	0	1	0	0	4
Deutsche Bank	Germany	Europe	Financial Institution	1	0	1	1	1	1	1	1	1	1	9
DGRV	Germany	Europe	Association	0	1	0	1	0	0	0	0	0	0	2
European Central Bank	Germany	Europe	Regulator	0	0	0	0	0	0	0	1	0	0	1
Freshfields	Germany	Europe	Corporate	0	1	0	0	0	0	0	0	0	0	1
GEBIC	Germany	Europe	Financial Institution	0	0	0	0	0	0	0	0	0	1	1
Gefiu	Germany	Europe	Association	0	0	0	1	0	0	0	1	0	0	2
German Accounting Standards Committee	Germany	Europe	National standard-setter	1	1	1	1	1	1	1	1	1	1	10
German Financial Reporting Enforcement Panel (FREP)	Germany	Europe	Regulator	0	0	0	0	0	1	0	0	0	0	1
German Insurance Association	Germany	Europe	Financial Institution	0	1	1	1	1	1	1	1	1	0	8
Institut der Wirtschaftsprüfer (IDW)	Germany	Europe	Association	1	1	0	1	1	1	1	1	1	1	9
KfW Bankengruppe	Germany	Europe	Financial Institution	0	0	0	0	1	1	1	1	0	0	4
Prof. Dr. Konrad Wimmer and Dr. Stefan Kusterer	Germany	Europe	Individual	0	0	1	0	0	0	0	0	0	0	1
RWE AG	Germany	Europe	Corporate	1	0	0	0	0	0	0	1	0	0	2

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Siemens AG	Germany	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
The Linde Group	Germany	Europe	Corporate	0	0	0	1	0	0	0	1	0	1	3
Thomas Nolte	Germany	Europe	Individual	0	0	0	0	0	0	0	1	0	0	1
VMEBF e.V.	Germany	Europe	Association	0	1	0	1	0	0	0	0	0	0	2
Volkswagen	Germany	Europe	Corporate	1	1	1	1	1	0	0	1	1	1	8
Wüstenrot & Wüttembergische AG	Germany	Europe	Financial Institution	0	0	0	0	0	0	0	0	0	1	1
Zentraler Kreditausschuss	Germany	Europe	Financial Institution	1	1	1	1	1	0	1	1	1	0	8
Allied Irish Bank	Ireland	Europe	Financial Institution	0	1	0	0	0	0	0	1	0	1	3
Chartered Accountants Ireland	Ireland	Europe	Accountancy	1	1	1	1	1	1	1	1	0	1	9
CPA Ireland	Ireland	Europe	Accountancy	0	0	0	1	0	1	1	0	1	0	4
Assoelettrica	Italy	Europe	Association	1	0	0	0	0	0	0	0	0	0	1
Italian Banking Association (ABI)	Italy	Europe	Financial Institution	1	1	0	1	1	0	0	1	0	0	5
Organismo Italiano di Contabilita	Italy	Europe	National standard-setter	0	0	1	1	1	1	1	1	1	1	8
Professor D.V. Ramana XIMB	Italy	Europe	Individual	0	1	0	0	0	0	0	0	0	0	1
ATEL	Luxembourg	Europe	Association	1	0	0	0	0	0	0	1	0	1	3
European Investment Bank	Luxembourg	Europe	Financial Institution	1	1	0	0	0	1	1	1	0	0	5
RTL Group	Luxembourg	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Bank of Valletta plc	Malta	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Dutch Accounting Standards Board	Netherlands	Europe	National standard-setter	1	1	1	1	1	1	1	1	1	1	10
Dutch Bankers Association	Netherlands	Europe	Financial Institution	0	0	0	0	0	0	0	1	0	0	1
ING	Netherlands	Europe	Financial Institution	1	1	0	1	1	0	0	1	0	1	6
NWB Bank	Netherlands	Europe	Financial Institution	0	0	0	0	0	0	1	0	0	0	1
Pieter van Wijck	Netherlands	Europe	Individual	0	1	0	0	0	0	1	0	0	0	2
Rabobank	Netherlands	Europe	Financial Institution	0	0	0	0	0	0	0	1	0	0	1
Verbond Van Verzekeraars	Netherlands	Europe	Financial Institution	0	0	0	0	0	0	0	0	0	1	1
Finance Norway	Norway	Europe	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Norsk RegnskapsStiftelse - Norwegian Accounting Standards Board	Norway	Europe	National standard-setter	1	0	1	1	1	0	1	1	1	1	8
Sonae	Portugal	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Slovak Auditing Oversight Authority (UDVA)	Slovakia	Europe	Regulator	0	0	0	1	1	0	0	0	0	0	2
ACS	Spain	Europe	Corporate	0	1	0	0	0	0	0	0	0	0	1
Advisory Panel of the CNMV	Spain	Europe	Regulator	0	1	0	0	0	0	0	0	0	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Banco Bilbao Vizcaya Argentaria, S.A., Madrid	Spain	Europe	Financial Institution	0	0	0	0	1	0	0	1	0	1	3
Banco Santander	Spain	Europe	Financial Institution	0	1	1	0	1	0	0	0	0	0	3
Confederacion Espanola de Cajas de Ahorros	Spain	Europe	Financial Institution	0	1	0	1	1	1	0	1	0	1	6
Corporacion CAN	Spain	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Grupo Ferrovial	Spain	Europe	Corporate	0	1	0	0	0	0	0	1	0	0	2
IIMV	Spain	Europe	Regulator	0	0	0	1	0	0	1	1	1	0	4
La Caixa	Spain	Europe	Financial Institution	0	1	0	1	1	0	0	0	0	0	3
Repsol YPF SA	Spain	Europe	Corporate	0	0	0	0	0	0	0	1	0	1	2
SEOPAN	Spain	Europe	Association	0	1	0	0	0	0	0	1	0	0	2
Spanish Banking Association (AEB)	Spain	Europe	Financial Institution	0	1	0	1	1	0	0	1	0	0	4
Spanish Confederation of Entrepeneurs	Spain	Europe	Association	0	1	0	0	0	0	0	0	0	0	1
Telefonica, S.A., Madrid	Spain	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
The Instituto de Contabilidad y Auditoria de Cuentas (ICAC)	Spain	Europe	National standard-setter	0	1	0	1	0	0	1	0	1	1	5
Unespa	Spain	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Universidad Autónoma de Madrid	Spain	Europe	Academia	1	0	0	0	0	0	0	0	0	0	1
AarhusKarlshamn AB	Sweden	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Confederation of Swedish Enterprise	Sweden	Europe	Association	0	0	0	1	1	0	0	1	0	1	4
FAR SRS	Sweden	Europe	Accountancy	1	1	0	1	1	1	1	1	1	1	9
Finansbolagens Förening	Sweden	Europe	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
Instrum Justitia AB	Sweden	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
SEB	Sweden	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Swedish Bankers' Association	Sweden	Europe	Financial Institution	0	1	1	1	1	0	0	1	1	0	6
Swedish Export Credit Corporation	Sweden	Europe	Financial Institution	0	0	0	0	0	1	0	1	0	1	3
Swedish Financial Reporting Board	Sweden	Europe	National standard-setter	0	1	1	1	1	1	1	1	0	1	8
TeliaSonera AB	Sweden	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
The Swedish Enterprise Accounting Group (SEAG)	Sweden	Europe	Association	1	1	0	0	0	0	0	0	0	0	2
ABB Asea Brown Boveri Ltd.	Switzerland	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Credit Suisse	Switzerland	Europe	Financial Institution	1	1	0	1	0	1	1	1	1	1	8
F.Hoffmann-La Roche Ltd	Switzerland	Europe	Corporate	1	1	1	1	1	1	1	1	1	1	10
Nestle	Switzerland	Europe	Corporate	1	1	0	1	1	1	0	1	1	1	8
Swiss Insurance Association	Switzerland	Europe	Financial Institution	0	1	0	1	0	0	0	0	0	0	2

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Swiss Life/ Rentenanstalt	Switzerland	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
SwissHoldings	Switzerland	Europe	Association	1	1	1	1	1	1	1	1	1	1	10
Syngenta International AG	Switzerland	Europe	Corporate	0	0	0	1	1	1	0	1	0	0	4
UBS	Switzerland	Europe	Financial Institution	1	1	1	1	1	1	1	1	1	1	10
Vontobel Holding AG	Switzerland	Europe	Financial Institution	0	0	0	0	0	0	1	0	0	0	1
AAT	United Kingdom	Europe	Accountancy	0	0	0	1	0	0	0	0	0	0	1
Accounting Standards Board	United Kingdom	Europe	National standard-setter	1	1	1	2	1	1	1	1	1	1	11
ADOPT Training	United Kingdom	Europe	Accountancy	0	0	0	1	0	0	0	0	0	0	1
Anglo American plc	United Kingdom	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Association for Financial Markets in Europe	United Kingdom	Europe	Financial Institution	0	0	0	1	1	0	1	0	1	1	5
Association of British Insurers	United Kingdom	Europe	Financial Institution	1	1	0	0	1	1	1	1	0	0	6
Association of Chartered Certified Accountants	United Kingdom	Europe	Accountancy	1	1	0	1	1	1	1	1	0	0	7
Association of Corporate Treasurers	United Kingdom	Europe	Association	1	0	0	0	0	0	0	0	0	0	1
Association of International Accountants	United Kingdom	Europe	Accountancy	0	1	0	0	0	0	0	0	0	0	1
Association of Investment Companies	United Kingdom	Europe	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
Audit Commission UK	United Kingdom	Europe	Regulator	0	1	0	0	0	0	0	0	0	0	1
Baker Tilly	United Kingdom	Europe	Accountancy	0	1	0	1	0	0	0	1	0	0	3
Bank of Scotland Treasury	United Kingdom	Europe	Financial Institution	1	0	0	0	0	0	0	0	0	0	1
Barclays	United Kingdom	Europe	Financial Institution	0	1	1	1	1	1	1	1	1	1	9
BP	United Kingdom	Europe	Corporate	0	0	0	1	0	1	0	0	1	1	4
British American Tobacco	United Kingdom	Europe	Corporate	1	0	0	0	0	0	0	1	0	0	2
British Bankers' Association	United Kingdom	Europe	Financial Institution	2	1	1	1	1	1	0	1	1	1	10
British Columbia Investment Management Corporation	United Kingdom	Europe	Corporate	1	0	0	0	0	0	0	0	0	0	1
BT Group plc	United Kingdom	Europe	Corporate	0	0	0	1	0	0	1	0	0	1	3
Building Societies Association	United Kingdom	Europe	Financial Institution	0	0	1	0	0	0	0	0	0	0	1
CEBS	United Kingdom	Europe	Regulator	1	1	1	1	0	1	1	0	0	0	6
Centrica plc	United Kingdom	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
CFA Institute UK	United Kingdom	Europe	Association	1	0	1	1	0	1	0	1	1	0	6
Chartered Institute of Management Accountants	United Kingdom	Europe	Accountancy	1	1	0	1	0	1	1	1	1	0	7
CIPFA	United Kingdom	Europe	Accountancy	1	1	0	0	0	0	0	0	0	1	3
Cobham plc	United Kingdom	Europe	Corporate	0	1	0	0	0	0	0	1	0	0	2

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				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Confederation of British Industry	United Kingdom	Europe	Association	1	1	0	1	1	0	0	1	1	0	6
Co-operatives UK	United Kingdom	Europe	Association	0	0	1	0	0	1	0	0	0	0	2
Corporate Reporting Users Forum (CRUF)	United Kingdom	Europe	Association	0	1	0	1	0	0	0	1	0	0	3
Deloitte Touche Tohmatsu	United Kingdom	Europe	Accountancy	1	1	0	1	1	1	1	1	1	1	9
Deutsche Bank, London	United Kingdom	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
EasyJet plc	United Kingdom	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Ernst & Young	United Kingdom	Europe	Accountancy	1	1	1	1	1	1	1	1	1	1	10
European Banking Authority (EBA)	United Kingdom	Europe	Regulator	0	0	0	0	1	0	0	1	1	1	4
European Securitisation Forum	United Kingdom	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Graeme Tosen	United Kingdom	Europe	Individual	0	1	0	1	0	0	0	0	0	0	2
Grant Thornton International	United Kingdom	Europe	Accountancy	1	1	0	1	1	1	1	1	1	1	9
HSBC Holdings PLC	United Kingdom	Europe	Financial Institution	1	1	1	1	1	1	1	1	1	1	10
Institute of Chartered Accountants in England & Wales	United Kingdom	Europe	Accountancy	1	1	1	1	1	1	1	1	1	1	10
Interactive Data	United Kingdom	Europe	Corporate	0	1	0	0	0	0	0	0	0	0	1
International Corporate Governance Network	United Kingdom	Europe	Association	0	0	0	1	0	0	0	1	1	0	3
International Underwriting Association	United Kingdom	Europe	Financial Institution	0	0	0	0	0	0	1	0	0	0	1
Investment Management Association	United Kingdom	Europe	Financial Institution	0	1	0	1	0	0	1	1	0	0	4
ISDA	United Kingdom	Europe	Financial Institution	1	1	0	0	0	1	1	1	1	1	7
KPMG	United Kingdom	Europe	Accountancy	1	1	1	1	1	1	1	1	1	1	10
Legal and General	United Kingdom	Europe	Financial Institution	1	0	0	0	0	0	0	0	0	0	1
Lloyd's	United Kingdom	Europe	Financial Institution	0	0	0	1	0	0	1	0	0	0	2
Lloyds Banking Group plc	United Kingdom	Europe	Financial Institution	0	1	0	1	1	0	0	1	1	1	6
London Investment Banking Association	United Kingdom	Europe	Financial Institution	1	0	1	0	0	1	0	0	0	0	3
London Society of Chartered Accountants	United Kingdom	Europe	Accountancy	1	0	0	1	0	0	1	0	0	0	3
Marathon Club	United Kingdom	Europe	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Markit	United Kingdom	Europe	Corporate	1	1	0	0	0	0	0	0	0	0	2
Matthew Modisett	United Kingdom	Europe	Individual	0	0	0	0	0	1	0	0	0	0	1
Morgan Stanley	United Kingdom	Europe	Financial Institution	1	1	0	1	1	1	1	1	1	1	9
National Grid plc	United Kingdom	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Nationwide Building Society	United Kingdom	Europe	Financial Institution	0	0	1	0	0	0	0	0	0	0	1
Niels Kroner	United Kingdom	Europe	Individual	0	0	1	0	0	0	0	0	0	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
PricewaterhouseCoopers	United Kingdom	Europe	Accountancy	1	1	1	1	1	1	1	1	1	1	10
Reed Elsevier Group plc	United Kingdom	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Reval	United Kingdom	Europe	Corporate	1	0	0	0	0	1	1	1	0	0	4
Richard Macve	United Kingdom	Europe	Individual	0	1	0	0	0	1	0	0	0	0	2
Royal Bank of Scotland	United Kingdom	Europe	Financial Institution	1	0	1	1	1	0	0	1	1	1	7
Royal Dutch Shell	United Kingdom	Europe	Corporate	1	0	0	1	0	0	0	1	0	0	3
RSM International	United Kingdom	Europe	Accountancy	0	0	0	0	1	0	0	0	0	1	2
Stagecoach Holdings	United Kingdom	Europe	Corporate	1	0	0	0	0	0	0	0	0	0	1
Standard Chartered	United Kingdom	Europe	Financial Institution	0	1	0	1	1	0	1	1	0	0	5
Tata Steel Europe Limited	United Kingdom	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
The Actuarial Profession	United Kingdom	Europe	Association	0	1	0	0	0	1	0	0	0	0	2
The Association of Corporate Treasurers	United Kingdom	Europe	Association	0	1	0	0	0	0	1	1	0	1	4
The Co-operative Financial Services	United Kingdom	Europe	Financial Institution	0	1	1	0	0	0	0	0	0	0	2
The Hundred Group	United Kingdom	Europe	Association	1	0	0	1	0	1	0	1	0	0	4
The Institute of Chartered Accountants of Scotland	United Kingdom	Europe	Accountancy	1	1	1	1	0	1	1	1	0	0	7
The Quoted Companies Alliance	United Kingdom	Europe	Association	1	0	0	1	1	0	0	0	0	0	3
TradeRisks Limited	United Kingdom	Europe	Financial Institution	0	0	0	0	0	0	0	1	0	0	1
Unilever	United Kingdom	Europe	Corporate	1	0	0	0	0	0	0	1	0	1	3
UPP Group Ltd	United Kingdom	Europe	Corporate	0	0	0	0	0	0	0	1	0	0	1
Zsalya Ltd	United Kingdom	Europe	Corporate	0	0	0	0	0	1	0	0	0	0	1
Basel Committee on Banking Supervision	International	International	Regulator	1	1	1	1	1	1	1	1	1	0	9
CA	International	International	Individual	0	0	0	0	0	0	0	1	0	0	1
Caroline A Walker	International	International	Individual	0	0	0	0	0	0	0	1	0	0	1
Chris Turrell	International	International	Individual	0	0	0	0	0	0	0	1	0	0	1
Ejjaz Hussain	International	International	Individual	0	0	0	0	0	1	0	0	0	0	1
FIWG	International	International	Corporate	1	0	0	0	0	0	0	0	0	0	1
Francis Pereira	International	International	Individual	0	1	0	0	0	0	0	0	0	0	1
IAASB	International	International	Accountancy	0	0	0	0	1	0	0	1	1	0	3
International Association of Insurance Supervisors	International	International	Regulator	1	1	1	1	0	1	0	0	1	1	7
International Banking Federation	International	International	Financial Institution	2	0	1	1	0	0	0	1	0	0	5
International Credit Union Regulators' Network	International	International	Regulator	0	0	0	0	1	0	0	0	0	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
IOSCO	International	International	Regulator	1	1	0	1	1	1	1	1	1	1	9
Katy Brink	International	International	Individual	1	0	0	0	0	0	0	0	0	0	1
L Venkatesan	International	International	Individual	0	0	0	0	1	0	1	0	0	0	2
Linus Low	International	International	Individual	0	0	0	0	1	0	1	1	1	1	5
Riaz Ahmad and Company, Chartered Accountants	International	International	Accountancy	0	0	0	0	0	0	0	1	0	0	1
Richard Hicks	International	International	Individual	0	1	0	0	0	0	0	0	0	0	1
The World Bank	International	International	Financial Institution	1	1	1	1	1	1	1	1	1	0	9
Thomas Jerome Ranney	International	International	Individual	0	0	0	0	0	0	0	1	0	0	1
Tomek Helbing	International	International	Individual	0	0	0	0	1	0	0	0	0	0	1
Wang Hongsheng	International	International	Individual	0	0	0	0	0	0	1	0	0	0	1
Bombardier Inc.	Canada	North America	Financial Institution	0	1	0	0	0	0	0	1	0	0	2
Canadian Accounting Standards Board	Canada	North America	National standard-setter	1	1	1	0	1	1	1	1	2	1	10
Canadian Bankers Association	Canada	North America	Financial Institution	1	1	1	1	1	1	1	1	1	1	10
Canadian Coalition for Good Governance	Canada	North America	Association	0	1	0	0	0	0	0	0	0	0	1
Canadian Institute of Actuaries	Canada	North America	Association	0	0	0	0	0	1	0	0	0	0	1
Canadian Life and Health Insurance Association	Canada	North America	Financial Institution	0	1	0	1	0	0	0	0	0	0	2
Canadian Natural Resources Limited, Calgary	Canada	North America	Corporate	0	0	0	0	0	0	0	1	0	0	1
Canadian Public Accountability Board (CPAB)	Canada	North America	Regulator	0	1	0	0	0	0	0	0	0	0	1
CGA-Canada	Canada	North America	Accountancy	0	1	0	1	0	0	0	1	1	0	4
Connacher Oil and Gas Limited	Canada	North America	Corporate	0	1	0	0	0	0	0	0	0	0	1
Enmax Corporation	Canada	North America	Corporate	0	0	0	0	0	0	0	1	0	1	2
FEI Canada	Canada	North America	Association	1	1	0	1	1	1	0	1	1	1	8
Hydro Quebec	Canada	North America	Corporate	0	1	0	1	1	0	0	1	0	1	5
IACVA	Canada	North America	Association	0	1	0	1	1	0	0	1	1	0	5
Institute of Chartered Accountants of British Columbia	Canada	North America	Accountancy	0	0	0	1	0	0	0	0	0	0	1
International Actuarial Association	Canada	North America	Association	1	1	0	1	1	1	1	0	0	0	6
Investment Industry Association of Canada	Canada	North America	Financial Institution	0	0	0	0	0	0	0	0	1	0	1
Meyers Norris Penny	Canada	North America	Accountancy	0	1	0	1	1	0	1	1	0	0	5
Ministry of Finance, Province of British Columbia	Canada	North America	Regulator	1	1	1	0	1	1	1	0	1	1	8
Nortel Networks Corporation	Canada	North America	Corporate	1	0	0	0	0	0	0	0	0	0	1
Ordre des comptables agrees du Quebec	Canada	North America	Accountancy	0	0	0	0	0	0	0	1	0	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Telus	Canada	North America	Corporate	0	0	0	0	0	0	0	0	0	1	1
TransAlta Corporation	Canada	North America	Corporate	1	0	0	0	0	0	0	0	0	0	1
TransCanada	Canada	North America	Corporate	1	0	0	0	0	1	0	1	0	0	3
CINIF	Mexico	North America	National standard-setter	1	1	0	1	1	1	1	1	1	1	9
FEMSA	Mexico	North America	Corporate	0	0	0	0	0	0	0	1	0	0	1
Mexican Banking Association	Mexico	North America	Financial Institution	0	0	0	0	0	0	0	1	0	0	1
AFLAC	United States	North America	Financial Institution	0	1	0	0	1	0	1	1	0	1	5
AICPA	United States	North America	Accountancy	0	0	1	0	1	0	0	0	1	0	3
Alcoa Inc.	United States	North America	Corporate	0	0	0	0	0	0	0	1	1	0	2
Allstate Insurance Company	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Ally Financial Services	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Amber George	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
American Academy of Actuaries	United States	North America	Association	1	1	0	1	0	1	0	0	0	0	4
American Accounting Association	United States	North America	Association	1	0	0	0	0	0	0	0	0	0	1
American Bankers Association	United States	North America	Financial Institution	0	1	1	1	2	0	0	1	1	0	7
American Council of Life Insurers	United States	North America	Financial Institution	1	1	0	1	1	1	0	1	0	0	6
American Gas Association	United States	North America	Association	0	0	0	0	0	0	0	0	1	0	1
American International Group, Inc.	United States	North America	Financial Institution	0	0	0	0	1	0	1	1	0	0	3
Ameriprise Financial	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Andrew Harding	United States	North America	Individual	1	0	0	0	0	0	0	0	0	0	1
Archer Daniels Midland	United States	North America	Corporate	0	0	0	0	0	0	0	1	0	0	1
Armond Simonyan	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
Ashley Burrowes	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
Association for Financial Professionals	United States	North America	Association	0	0	0	0	0	1	0	1	1	0	3
Azar Seraj	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
Ball Corporation	United States	North America	Corporate	0	0	0	0	0	0	0	0	1	0	1
Bank America Merrill Lynch	United States	North America	Financial Institution	0	0	0	0	1	0	0	1	1	0	3
Bank of New York Mellon	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	1	0	2
BB&T	United States	North America	Financial Institution	1	0	0	0	1	0	0	0	0	0	2
BDO USA LLP	United States	North America	Accountancy	0	0	0	0	1	0	0	0	0	0	1
Blackrock	United States	North America	Financial Institution	0	0	0	0	0	0	0	0	1	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Bok Financial	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Brian Ayers	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
CalCPA	United States	North America	Accountancy	0	0	0	1	0	0	0	1	1	0	3
Capital One Financial Corporation	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Center for Capital Markets Competitiveness	United States	North America	Association	0	0	0	0	0	0	0	0	1	0	1
CFA Institute	United States	North America	Association	2	1	0	1	1	1	1	1	1	1	10
Chatham Financial	United States	North America	Financial Institution	0	0	0	0	0	0	0	1	0	0	1
CIGNA Corporation	United States	North America	Financial Institution	0	1	0	1	1	0	0	1	0	0	4
Citigroup	United States	North America	Financial Institution	1	1	0	1	1	0	1	1	1	1	8
CME Group	United States	North America	Financial Institution	0	0	0	0	0	0	0	0	1	0	1
CNA Financial Corporation	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Comerica	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Commercial Real Estate Finance Council	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Conference of State Bank Supervisors	United States	North America	Regulator	0	0	0	0	1	0	0	0	0	0	1
Conning	United States	North America	Accountancy	0	0	0	0	1	0	0	0	0	0	1
Constellation Energy	United States	North America	Corporate	0	0	0	0	0	0	0	1	1	0	2
Credit Union National Association (CUNA)	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Crowe Howarth	United States	North America	Accountancy	0	0	0	0	1	0	0	0	0	0	1
Duff and Phelps	United States	North America	Financial Institution	0	1	1	0	1	1	0	0	0	0	4
Ed Trott	United States	North America	Individual	0	0	1	0	0	0	0	0	0	0	1
Edison Electric Institute	United States	North America	Association	0	0	0	0	0	0	0	1	1	0	2
Eli Lilly and Company	United States	North America	Corporate	0	0	0	1	0	0	0	1	0	0	2
Erin Williams	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
Factory Mutual Insurance Company	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Fannie Mae	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Federal Home Loan Banks	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	1	0	2
Federal Housing Finance Agency	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	1	0	2
FEI	United States	North America	Association	0	0	0	1	1	0	0	0	1	0	3
FHL Banks	United States	North America	Financial Institution	1	0	0	0	0	0	0	0	0	0	1
Financial Instruments Reporting and Convergence Alliance	United States	North America	Association	0	0	0	0	1	0	0	1	0	0	2
Financial Reporting Advisors	United States	North America	Accountancy	0	0	0	0	1	0	0	0	0	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
FirstEnergy Corp.	United States	North America	Corporate	0	0	0	0	0	0	0	1	0	0	1
Fitch Ratings	United States	North America	Corporate	1	0	0	0	0	0	0	0	0	0	1
Five Federal Banking Agencies	United States	North America	Regulator	0	0	0	0	0	0	0	0	2	0	2
Florida Institute of CPAs	United States	North America	Accountancy	0	0	0	0	0	0	0	1	0	0	1
Ford Motor Credit Company	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Four Federal Banking Agencies	United States	North America	Regulator	1	0	0	0	0	0	0	0	0	0	1
Fourteen US Banks	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Frank Walker	United States	North America	Individual	0	0	0	0	0	0	0	0	1	0	1
Freddie Mac	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Gary Topche	United States	North America	Individual	1	0	0	0	0	0	0	0	0	0	1
General Electric	United States	North America	Corporate	0	0	0	0	1	0	0	0	0	0	1
Genworth	United States	North America	Financial Institution	0	0	0	0	1	0	0	1	1	1	4
Goldman Sachs	United States	North America	Financial Institution	1	0	0	0	0	1	1	1	1	0	5
Group of North American Insurance Enterprises	United States	North America	Financial Institution	0	1	0	0	1	1	0	1	1	1	6
Hess Corporation	United States	North America	Corporate	0	0	0	0	0	0	0	0	1	0	1
Hong Le	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
Hovanes Avakian	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
IACPM	United States	North America	Financial Institution	0	0	0	0	0	0	0	1	0	0	1
IBM	United States	North America	Corporate	0	0	0	0	1	0	0	1	0	0	2
Illinois CPA Society	United States	North America	Accountancy	1	1	0	1	1	1	1	0	1	0	7
Independent Community Bankers of America	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Institute of International Finance	United States	North America	Financial Institution	1	1	1	1	1	1	1	1	2	1	11
Institute of Management Acccountants	United States	North America	Accountancy	0	0	0	1	1	0	1	1	1	0	5
Intel Corporation	United States	North America	Corporate	0	0	0	0	0	0	0	0	1	1	2
Investment Company Institute	United States	North America	Financial Institution	0	0	0	0	0	0	0	0	1	0	1
Investors Technical Advisory Committee	United States	North America	Association	1	1	0	0	0	0	0	0	0	0	2
Ithaca College	United States	North America	Accountancy	0	0	0	0	0	0	0	0	1	0	1
Jason Malabute	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
Joseph Maresca	United States	North America	Individual	0	0	0	0	0	0	0	0	1	0	1
JP Morgan Chase	United States	North America	Financial Institution	0	1	1	0	1	1	1	1	1	0	7
Keycorp	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	1	0	2

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Koch Industries	United States	North America	Corporate	0	0	0	0	0	0	0	0	1	0	1
Liberty Mutual	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Lincoln National Corporation	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Marylynn Crawford	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
MBIA Inc.	United States	North America	Financial Institution	0	0	0	0	0	1	0	0	0	0	1
McGladrey & Pullen (RSM International)	United States	North America	Accountancy	0	0	0	0	1	0	0	0	0	0	1
Mercer	United States	North America	Financial Institution	0	0	0	0	0	1	0	0	0	0	1
Merrick Bank	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
MetLife	United States	North America	Financial Institution	0	0	0	0	1	1	0	0	1	0	3
Microsoft	United States	North America	Corporate	0	0	0	0	1	0	0	0	0	0	1
Mortgage Bankers Association	United States	North America	Financial Institution	0	1	0	1	1	0	0	1	1	0	5
Nare Isayan	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
National Association of College and University Business Officers (NACUBO)	United States	North America	Association	0	0	0	0	1	0	0	0	0	0	1
National Association of Industrial Bankers (NAIB)	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
National Association of Insurance Commissioners	United States	North America	Regulator	1	0	0	0	0	0	0	0	0	0	1
National Oilseed Processors Association	United States	North America	Association	0	0	0	0	0	0	0	1	0	0	1
Nationwide Insurance	United States	North America	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Navy Federal Credit Union	United States	North America	Financial Institution	1	0	0	0	0	0	0	0	0	0	1
New York State Society of Certified Public Accountants	United States	North America	Accountancy	1	0	0	1	1	0	0	0	1	0	4
NextEra Energy	United States	North America	Corporate	0	0	0	0	0	0	0	0	1	0	1
North Carolina State Board of Certified Public Accountant Examiners	United States	North America	Accountancy	1	0	0	0	0	0	0	0	0	0	1
Novelis Inc.	United States	North America	Corporate	0	0	0	0	0	0	0	1	0	0	1
Pennsylvania Institute of Certified Public Accountants	United States	North America	Accountancy	1	0	0	0	0	0	0	0	0	0	1
PNC Financial	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	1	0	2
PPL Corporation	United States	North America	Corporate	0	0	0	0	0	0	0	0	1	0	1
Private Companies Practice Section	United States	North America	Accountancy	1	0	0	0	0	0	0	0	0	0	1
Quadriserv	United States	North America	Financial Institution	0	0	0	0	0	0	0	0	1	0	1
Regions Financial Corporation	United States	North America	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
RG Associates	United States	North America	Financial Institution	0	1	0	0	0	0	0	0	0	0	1
Sandler O'Neill & Partners	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Securities Industry and Financial Markets Association	United States	North America	Financial Institution	0	0	0	0	0	0	0	0	2	0	2

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
SNL Financial	United States	North America	Corporate	0	0	0	0	1	0	0	0	1	0	2
Standard and Poor's	United States	North America	Financial Institution	0	1	0	1	0	0	0	1	1	0	4
State of New York Banking Department	United States	North America	Regulator	1	0	0	0	1	0	0	0	0	0	2
State of New York Insurance Department	United States	North America	Regulator	0	0	0	0	0	1	0	0	0	0	1
State Street	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	1	0	2
Stephanie Liu	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
Sun Trust	United States	North America	Financial Institution	0	1	0	0	1	0	0	0	1	0	3
Suzuko Kitazawa	United States	North America	Individual	0	1	0	0	0	0	0	0	0	0	1
Teresa P. Gordon	United States	North America	Individual	0	0	0	0	1	0	0	0	0	0	1
Texas Society of CPA's	United States	North America	Accountancy	1	0	0	0	0	0	0	0	0	0	1
The Allstate Corporation	United States	North America	Financial Institution	0	0	1	0	0	1	0	0	0	0	2
The Bank of New York Mellon	United States	North America	Financial Institution	1	1	0	1	0	0	0	1	0	0	4
The Capital Group Companies	United States	North America	Corporate	1	0	0	0	0	0	0	0	0	0	1
The Clearing House	United States	North America	Financial Institution	0	1	1	1	1	1	1	1	1	0	8
The Loan Syndications and Trading Association (LSTA)	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
The Northwestern Mutual Life Insurance Company	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
The Ohio Society of CPAs	United States	North America	Accountancy	1	0	0	0	0	0	0	0	0	0	1
The Pennsylvania Credit Union Association (PCUA)	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
The Private Company Financial Reporting Committee	United States	North America	Association	0	0	0	0	1	0	0	0	0	0	1
Tioga State Bank	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Towers Perrin	United States	North America	Financial Institution	0	0	0	0	0	1	0	0	0	0	1
Toyota Motor Credit Corporation	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	1	0	2
U.S. Chamber of Commerce	United States	North America	Association	0	1	0	0	0	0	0	0	0	0	1
Unum	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
US Bancorp	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	1	0	2
US Financial Institution Regulatory Agencies	United States	North America	Regulator	0	0	0	1	1	0	0	0	0	0	2
US General Services Administration	United States	North America	Regulator	0	0	0	0	0	0	0	0	1	0	1
Verizon Communications	United States	North America	Corporate	0	0	0	0	1	0	0	0	0	0	1
ViewPoint Bank	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Virginia Credit Union	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Walker Fraud Examiners, Inc.	United States	North America	Corporate	0	0	0	0	0	0	0	1	0	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED										
				CD1	CD2	CD3	CD4	CD5	CD6	CD7	CD8	CD9	CD 10	Total
Washington Society of Certified Public Accountants	United States	North America	Accountancy	1	0	0	0	0	0	0	0	0	0	1
Wells Fargo	United States	North America	Financial Institution	0	0	0	1	1	0	0	1	1	0	4
World Council of Credit Unions	United States	North America	Financial Institution	0	0	0	1	1	0	0	0	0	0	2
Zions Bancorporation	United States	North America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Banco Bradesco	Brazil	South America	Financial Institution	0	0	0	0	1	0	0	0	0	0	1
Brazilian Banks Federation (FEBRABAN)	Brazil	South America	Financial Institution	0	0	0	1	0	0	0	0	0	0	1
CPC Brazil	Brazil	South America	National standard-setter	0	1	0	1	1	0	0	0	1	1	5
Denise Silva Ferreira Juvenal	Brazil	South America	Individual	0	0	0	0	0	0	0	1	0	1	2
Glenif Glass	Brazil	South America	National standard-setter	0	0	0	0	0	0	0	0	0	1	1
Groupo Santander Brasil	Brazil	South America	Financial Institution	0	0	1	0	1	1	0	0	1	0	4
PPE FIOS ESMALTADOS	Brazil	South America	Corporate	0	0	0	0	0	0	0	1	0	0	1
Universidade de São Paulo	Brazil	South America	Academia	1	0	0	0	0	0	0	0	0	0	1
Asociación de Aseguradores de Chile A.G.	Chile	South America	National standard-setter	0	1	0	0	0	0	0	0	0	0	1
Universidad de Chile	Chile	South America	Academia	0	1	0	0	1	0	0	1	0	1	4
				165	**246**	**89**	**192**	**215**	**123**	**138**	**247**	**165**	**131**	**1711**

Annexure C: Comment letters submitted during the development of IFRS 13

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED			
				CD11	CD12	CD13	TOTAL
Anglo Platinum Limited	South Africa	Africa	Corporate	1	0	0	1
FirstRand Banking Group	South Africa	Africa	Financial Institution	1	0	0	1
JSE Limited	South Africa	Africa	Corporate	1	0	0	1
Sappi Limited	South Africa	Africa	Corporate	0	0	1	1
South African Institute of Chartered Accountants	South Africa	Africa	National standard-setter	1	1	1	3
Standard Bank	South Africa	Africa	Financial Institution	1	0	0	1
Zambia Institute of Chartered Accountants (ZICA)	Zambia	Africa	National standard-setter	0	1	0	1
Alinta	Australia	Asia/Oceania	Corporate	1	0	0	1
ANZ	Australia	Asia/Oceania	Financial Institution	0	1	0	1
Australasian Council of Auditors- General	Australia	Asia/Oceania	Regulator	1	1	0	2
Australian Accounting Standards Board	Australia	Asia/Oceania	National standard-setter	1	1	1	3
Australian Heads of Treasuries Accounting and Reporting Advisory Committee	Australia	Asia/Oceania	Association	1	1	1	3
Australian Property Institute	Australia	Asia/Oceania	Association	0	1	0	1
Baycorp	Australia	Asia/Oceania	Financial Institution	0	1	0	1
Collection House Ltd	Australia	Asia/Oceania	Financial Institution	0	1	0	1
Commonwealth Bank of Australia	Australia	Asia/Oceania	Financial Institution	0	1	1	2
CPA Australia	Australia	Asia/Oceania	Accountancy	1	0	0	1
Department of Finance and Deregulation	Australia	Asia/Oceania	Regulator	0	0	1	1
Group of 100	Australia	Asia/Oceania	Association	1	1	1	3
Halligan & Co	Australia	Asia/Oceania	Accountancy	0	1	0	1
Institute of Actuaries of Australia	Australia	Asia/Oceania	Association	0	1	0	1
Joint Accounting Bodies in Australia	Australia	Asia/Oceania	Accountancy	0	1	0	1
National Institute of Accountants	Australia	Asia/Oceania	Accountancy	1	0	0	1
NSW Treasury	Australia	Asia/Oceania	Regulator	1	1	0	2
Property Council of Australia	Australia	Asia/Oceania	Association	0	1	0	1
QBE Insurance Group	Australia	Asia/Oceania	Financial Institution	0	1	0	1
Telstra	Australia	Asia/Oceania	Corporate	0	1	0	1
University of Western Sydney	Australia	Asia/Oceania	Academia	1	0	0	1
Air China Limited	China	Asia/Oceania	Corporate	0	1	0	1
Bank of China	China	Asia/Oceania	Financial Institution	0	1	0	1
China Accounting Standards Committee	China	Asia/Oceania	National standard-setter	0	0	1	1
China Ministry of Finance	China	Asia/Oceania	Regulator	0	1	0	1
PAN-China CPA Firm	China	Asia/Oceania	Accountancy	0	0	1	1
Xuzhong Institute of Technology	China	Asia/Oceania	Academia	0	1	0	1
Zhejiang University of Finance and Economics	China	Asia/Oceania	Academia	0	1	0	1
Hong Kong Institute of Certified Public Accountants	Hong Kong	Asia/Oceania	Accountancy	1	1	1	3
RHL International Group	Hong Kong	Asia/Oceania	Corporate	1	0	0	1
Indian Banks' Association	India	Asia/Oceania	Financial Institution	0	1	0	1
Institute of Chartered Accountants in India	India	Asia/Oceania	Accountancy	0	1	0	1
Larsen & Toubro Limited	India	Asia/Oceania	Corporate	0	1	0	1
NeoCFO	India	Asia/Oceania	Corporate	0	1	1	2
Securities and Exchange Board of India	India	Asia/Oceania	Regulator	0	1	1	2
Accounting Standards Board of Japan	Japan	Asia/Oceania	National standard-setter	1	1	0	2
Japanese Institute of Certified Public Accountants	Japan	Asia/Oceania	Accountancy	1	1	1	3
Life Insurance Association of Japan	Japan	Asia/Oceania	Financial Institution	1	1	1	3
Mitsubishi Corporation obo 25 Japanese Companies	Japan	Asia/Oceania	Corporate	0	0	1	1
Takeshi Imamura	Japan	Asia/Oceania	Individual	1	1	0	2
The General Insurance Association of Japan	Japan	Asia/Oceania	Financial Institution	1	0	0	1
Malaysian Accounting Standards Board	Malaysia	Asia/Oceania	National standard-setter	1	1	1	3
Institute of Chartered Accountants of New Zealand (ICANZ)	New Zealand	Asia/Oceania	National standard-setter	1	1	1	3
Massey University	New Zealand	Asia/Oceania	Academia	1	0	0	1
New Zealand Securities Commission	New Zealand	Asia/Oceania	Regulator	0	1	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED			
				CD11	CD12	CD13	TOTAL
The New Zealand Treasury	New Zealand	Asia/Oceania	Regulator	0	1	0	1
Institute of Chartered Accountants of Pakistan	Pakistan	Asia/Oceania	Accountancy	0	1	1	2
National Accounting Standards Board of Russia (NASB)	Russia	Asia/Oceania	National standard-setter	1	0	0	1
Franklin Templeton Investments	Singapore	Asia/Oceania	Financial Institution	1	0	0	1
Institute of Certified Public Accountants of Singapore	Singapore	Asia/Oceania	Accountancy	0	0	1	1
Singapore Accounting Standards Council	Singapore	Asia/Oceania	National standard-setter	1	1	1	3
Korean Accounting Association	South Korea	Asia/Oceania	Accountancy	1	0	0	1
Korean Accounting Standards Board	South Korea	Asia/Oceania	National standard-setter	1	1	1	3
Securities and Exchange Commission of Thailand	Thailand	Asia/Oceania	Regulator	1	0	0	1
DFSA	United Arab Emirates	Asia/Oceania	Regulator	0	0	1	1
AFRAC	Austria	Europe	National standard-setter	1	1	1	3
Austrian Actuarial Association	Austria	Europe	Association	1	0	0	1
Austrian Federal Economic Chamber	Austria	Europe	Association	0	1	0	1
Austrian Insurance Association	Austria	Europe	Financial Institution	1	0	0	1
Erste Group	Austria	Europe	Financial Institution	0	1	0	1
BDO	Belgium	Europe	Accountancy	0	1	0	1
Belgian Accounting Standards Boards	Belgium	Europe	National standard-setter	0	1	1	2
Belgian Financial Sector Federation (Febelfin)	Belgium	Europe	Financial Institution	0	1	0	1
BUSINESSEUROPE	Belgium	Europe	Association	1	1	0	2
EFRAG	Belgium	Europe	National standard-setter	1	1	1	3
European Association of Cooperative Banks (EACB)	Belgium	Europe	Financial Institution	0	0	1	1
European Banking Associations	Belgium	Europe	Financial Institution	1	0	0	1
European Banking Federation	Belgium	Europe	Financial Institution	0	1	1	2
FEE	Belgium	Europe	Accountancy	1	1	1	3
International Energy Accounting Forum (IEAF)	Belgium	Europe	Association	1	0	0	1
International Private Equity and Venture Capital Valuation Board	Belgium	Europe	Financial Institution	1	1	1	3
Real Estate Equity Securitization Alliance (REESA)	Belgium	Europe	Association	0	1	1	2
SIPEF SA	Belgium	Europe	Corporate	1	0	0	1
Danish Insurance Association	Denmark	Europe	Financial Institution	0	1	0	1
European Insurance CFO Forum	Europe	Europe	Association	0	1	0	1
University of Tampere	Finland	Europe	Academia	1	1	0	2
ACTEO, AFEP, MEDEF	France	Europe	Association	1	1	0	2
Assoc. GEDEON-DFCE	France	Europe	Association	0	0	1	1
Association Française des Trésoriers d'Entreprise (AFTE)	France	Europe	Association	0	1	0	1
Autorité des normes comptables	France	Europe	National standard-setter	0	0	1	1
BNP Paribas	France	Europe	Financial Institution	1	1	1	3
BPCE	France	Europe	Financial Institution	0	1	1	2
Caisse d'Epargne	France	Europe	Financial Institution	1	0	0	1
CESR FIN	France	Europe	Regulator	0	1	0	1
Confederation Nationale Du Credit Mutuel	France	Europe	Financial Institution	0	1	0	1
Conseil national de la comptabilite	France	Europe	National standard-setter	1	1	0	2
Federation Francaise des Societes d'Assurances	France	Europe	Financial Institution	0	1	0	1
French Banking Federation	France	Europe	Financial Institution	1	1	1	3
GDF SUEZ	France	Europe	Corporate	1	0	0	1
Mazars	France	Europe	Accountancy	1	1	1	3
Societé Générale	France	Europe	Financial Institution	1	0	0	1
Allianz	Germany	Europe	Financial Institution	1	1	0	2
Arbeitskreis Externe Unternehmensrechnung (AKEU)	Germany	Europe	Association	1	0	0	1
Association of German Banks	Germany	Europe	Financial Institution	1	1	0	2
Bayer AG	Germany	Europe	Corporate	0	0	1	1
CEIOPS	Germany	Europe	Regulator	1	1	0	2
Chris Barnard	Germany	Europe	Individual	0	0	1	1
Deutsche Bank	Germany	Europe	Financial Institution	1	1	1	3
German Accounting Standards Committee	Germany	Europe	National standard-setter	1	1	1	3

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED			
				CD11	CD12	CD13	TOTAL
German Savings Bank Association (DSGV)	Germany	Europe	Financial Institution	1	0	0	1
Institut der Wirtschaftsprüfer (IDW)	Germany	Europe	Association	1	1	0	2
International Controllers Association (ICV)	Germany	Europe	Association	1	0	0	1
RWE AG	Germany	Europe	Corporate	1	0	0	1
VMEBF e.V.	Germany	Europe	Association	0	1	0	1
Zentraler Kreditausschuss	Germany	Europe	Financial Institution	0	0	1	1
Allied Irish Bank	Ireland	Europe	Financial Institution	0	1	0	1
Chartered Accountants Ireland	Ireland	Europe	Accountancy	1	1	1	3
CPA Ireland	Ireland	Europe	Accountancy	0	1	1	2
Irish Banking Federation	Ireland	Europe	Financial Institution	1	0	0	1
Consiglio Nazionale dei Dottori Commercialisti and the Consiglio Nazionale dei Ragionieri	Italy	Europe	Accountancy	1	0	0	1
Intesa Sanpaolo banking group	Italy	Europe	Financial Institution	0	1	0	1
Italian Banking Association (ABI)	Italy	Europe	Financial Institution	1	0	0	1
Organismo Italiano di Contabilita	Italy	Europe	National standard-setter	0	1	1	2
University of Verona	Italy	Europe	Academia	1	0	0	1
European Investment Bank	Luxembourg	Europe	Financial Institution	1	0	0	1
University of Malta	Malta	Europe	Academia	1	0	0	1
Dutch Accounting Standards Board	Netherlands	Europe	National standard-setter	1	1	1	3
Pieter van Wijck	Netherlands	Europe	Individual	0	1	0	1
Norsk RegnskapsStiftelse - Norwegian Accounting Standards Board	Norway	Europe	National standard-setter	1	1	1	3
The Body of Experts and Licensed Accountants of Romania (CECCAR)	Romania	Europe	Accountancy	0	0	1	1
Confederation of Swedish Enterprise	Sweden	Europe	Association	0	0	1	1
FAR SRS	Sweden	Europe	Accountancy	1	1	1	3
Gothenburg University	Sweden	Europe	Academia	0	1	0	1
Swedish Bankers' Association	Sweden	Europe	Financial Institution	1	0	0	1
Swedish Financial Reporting Board	Sweden	Europe	National standard-setter	1	1	1	3
The Swedish Enterprise Accounting Group (SEAG)	Sweden	Europe	Association	1	1	0	2
Credit Suisse	Switzerland	Europe	Financial Institution	1	1	1	3
F.Hoffmann-La Roche Ltd	Switzerland	Europe	Corporate	1	1	0	2
Nestle	Switzerland	Europe	Corporate	1	1	1	3
Swiss GAAP FER	Switzerland	Europe	National standard-setter	1	0	0	1
Swiss Re	Switzerland	Europe	Financial Institution	1	0	0	1
SwissHoldings	Switzerland	Europe	Association	1	1	0	2
Syngenta International AG	Switzerland	Europe	Corporate	1	1	0	2
UBS	Switzerland	Europe	Financial Institution	1	1	1	3
Accounting Standards Board	United Kingdom	Europe	National standard-setter	1	1	0	2
Association for Financial Markets in Europe	United Kingdom	Europe	Financial Institution	0	0	1	1
Association of British Insurers	United Kingdom	Europe	Financial Institution	1	1	0	2
Association of Chartered Certified Accountants	United Kingdom	Europe	Accountancy	1	1	0	2
Association of Corporate Treasurers	United Kingdom	Europe	Association	1	0	0	1
Association of International Accountants	United Kingdom	Europe	Accountancy	0	1	0	1
Association of Investment Companies	United Kingdom	Europe	Financial Institution	1	0	0	1
Barclays	United Kingdom	Europe	Financial Institution	0	0	1	1
BG Energy Holdings Limited	United Kingdom	Europe	Corporate	1	0	0	1
BP	United Kingdom	Europe	Corporate	0	1	0	1
British Accounting Association	United Kingdom	Europe	Accountancy	1	1	0	2
British Bankers' Association	United Kingdom	Europe	Financial Institution	1	0	1	2
BT Group plc	United Kingdom	Europe	Corporate	0	1	0	1
CEBS	United Kingdom	Europe	Regulator	1	1	1	3
Chartered Institute of Management Accountants	United Kingdom	Europe	Accountancy	1	1	0	2
CIPFA	United Kingdom	Europe	Accountancy	1	1	0	2
Confederation of British Industry	United Kingdom	Europe	Association	1	1	0	2
Corporate Reporting Users Forum (CRUF)	United Kingdom	Europe	Association	1	0	0	1
Deloitte Touche Tohmatsu	United Kingdom	Europe	Accountancy	1	1	1	3

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED			
				CD11	CD12	CD13	TOTAL
Ernst & Young	United Kingdom	Europe	Accountancy	1	1	1	3
Grant Thornton International	United Kingdom	Europe	Accountancy	1	1	1	3
HSBC Holdings PLC	United Kingdom	Europe	Financial Institution	1	1	1	3
Institute of Chartered Accountants in England & Wales	United Kingdom	Europe	Accountancy	1	1	1	3
Interactive Data	United Kingdom	Europe	Corporate	0	1	1	2
International Corporate Governance Network	United Kingdom	Europe	Association	0	1	0	1
International Underwriting Association	United Kingdom	Europe	Financial Institution	1	0	1	2
International Valuation Standards Council	United Kingdom	Europe	Association	1	1	1	3
ISDA	United Kingdom	Europe	Financial Institution	1	1	1	3
KPMG	United Kingdom	Europe	Accountancy	1	1	1	3
London Investment Banking Association	United Kingdom	Europe	Financial Institution	1	1	0	2
Markit	United Kingdom	Europe	Corporate	1	1	0	2
Morgan Stanley	United Kingdom	Europe	Financial Institution	1	1	1	3
Neil Chisman	United Kingdom	Europe	Individual	1	0	0	1
PricewaterhouseCoopers	United Kingdom	Europe	Accountancy	1	1	1	3
Richard Macve	United Kingdom	Europe	Individual	0	1	0	1
Royal Dutch Shell	United Kingdom	Europe	Corporate	1	1	0	2
Royal Institution of Chartered Surveyors	United Kingdom	Europe	Association	1	1	0	2
Tesco	United Kingdom	Europe	Corporate	0	1	0	1
The Actuarial Profession	United Kingdom	Europe	Association	0	1	0	1
The Charity Commission	United Kingdom	Europe	Regulator	1	0	0	1
The Hundred Group	United Kingdom	Europe	Association	1	0	0	1
The Institute of Chartered Accountants of Scotland	United Kingdom	Europe	Accountancy	1	1	1	3
The Quoted Companies Alliance	United Kingdom	Europe	Association	1	0	0	1
Unilever	United Kingdom	Europe	Corporate	1	0	0	1
University of Portsmouth	United Kingdom	Europe	Academia	1	0	0	1
Wales Audit Office	United Kingdom	Europe	Regulator	1	0	1	2
Watson Wyatt International Limited	United Kingdom	Europe	Corporate	0	1	0	1
Basel Committee on Banking Supervision	International	International	Regulator	1	1	1	3
IAASB	International	International	Accountancy	0	1	0	1
International Association of Insurance Supervisors	International	International	Regulator	1	1	0	2
IOSCO	International	International	Regulator	1	1	1	3
Joint Response: European Insurance Forum, CEA, GNAIE, Japanese Life Insurers	International	International	Financial Institution	1	0	0	1
Linus Low	International	International	Individual	0	0	1	1
R. A. Rayman	International	International	Individual	1	0	0	1
Ruth Farrant	International	International	Individual	1	0	0	1
Selvida Naiken	International	International	Individual	0	1	0	1
The World Bank	International	International	Financial Institution	0	1	1	2
Canadian Accounting Standards Board	Canada	North America	National standard-setter	1	1	1	3
Canadian Bankers Association	Canada	North America	Financial Institution	1	1	1	3
Canadian Institute of Chartered Business Valuators	Canada	North America	Association	0	1	0	1
CGA-Canada	Canada	North America	Accountancy	1	0	0	1
FEI Canada	Canada	North America	Association	0	1	0	1
Hydro Quebec	Canada	North America	Corporate	0	1	1	2
IACVA	Canada	North America	Association	0	1	1	2
International Actuarial Association	Canada	North America	Association	1	1	1	3
J Alex Milburn	Canada	North America	Individual	1	0	0	1
Ministry of Finance, Province of British Columbia	Canada	North America	Regulator	1	1	1	3
Sabito Machinery Inc.	Canada	North America	Corporate	0	1	0	1
TransCanada	Canada	North America	Corporate	0	1	0	1
CINIF	Mexico	North America	National standard-setter	0	1	1	2
Mexican Institute of Public Accountants	Mexico	North America	Accountancy	0	1	0	1
Adams Street Partners	United States	North America	Financial Institution	0	0	1	1
American Academy of Actuaries	United States	North America	Association	0	1	0	1

NAME OF PARTICIPANT	COUNTRY	IASB REGION	INTEREST GROUP	COMMENT LETTERS SUBMITTED			
				CD11	CD12	CD13	TOTAL
Bank of New York Mellon	United States	North America	Financial Institution	0	1	0	1
CalCPA	United States	North America	Accountancy	0	1	0	1
Daniel Moore	United States	North America	Individual	0	1	0	1
Duff and Phelps	United States	North America	Financial Institution	1	1	1	3
FEI	United States	North America	Association	0	1	0	1
Financial Instruments Reporting and Convergence Alliance	United States	North America	Association	0	1	0	1
Fitch Ratings	United States	North America	Corporate	1	0	0	1
Florida Institute of CPAs	United States	North America	Accountancy	0	1	0	1
Goldman Sachs	United States	North America	Financial Institution	1	1	0	2
Group of North American Insurance Enterprises	United States	North America	Financial Institution	0	1	1	2
Institute of International Finance	United States	North America	Financial Institution	0	1	1	2
Institute of Management Acccountants	United States	North America	Accountancy	1	1	0	2
JP Morgan Chase	United States	North America	Financial Institution	0	1	0	1
Mortgage Bankers Association	United States	North America	Financial Institution	0	1	1	2
Property Casualty Insurers Association of America	United States	North America	Financial Institution	1	0	0	1
Rosanna O'Guynn	United States	North America	Individual	1	0	0	1
State of New York Insurance Department	United States	North America	Regulator	1	0	0	1
Steve Rabin	United States	North America	Individual	0	1	0	1
The Appraisal Institute	United States	North America	Corporate	1	0	0	1
Walker Fraud Examiners, Inc.	United States	North America	Corporate	0	0	1	1
World Council of Credit Unions	United States	North America	Financial Institution	0	1	0	1
José Luis Pungitore	Argentina	South America	Individual	0	1	0	1
CPC Brazil	Brazil	South America	National standard-setter	0	1	1	2
Universidad de Chile	Chile	South America	Academia	0	1	1	2
Adriana Sarmiento	Colombia	South America	Individual	0	1	0	1
Pablo Martínez	Colombia	South America	Individual	0	0	1	1
TOTAL				**136**	**160**	**91**	**387**

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