

JEFFREY J. DIERMEIER
Chairman

June 5, 2015

Mr. Michel Prada
Chairman
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Prada,

The Board of Trustees of the Financial Accounting Foundation (FAF) writes to submit its nomination of the Financial Accounting Standards Board (FASB) for continued membership in the Accounting Standards Advisory Forum (ASAF), an advisory group of the International Accounting Standards Board (IASB). The designated ASAF representative from the FASB would be Chairman Russell G. Golden.

Background

The FAF Trustees believe that the FASB's involvement in the ASAF is consistent with the FASB's mission to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial information.

The Trustees also believe that FASB participation in the ASAF is consistent with the mutual objectives outlined by the FASB and the IASB in the Norwalk Agreement of September 2002. In the Norwalk Agreement, the Boards "acknowledged their commitment to the development of high-quality, compatible accounting standards," and agreed to work toward that goal "by identifying common, high-quality solutions."

The FAF and the FASB continue to support that long-term goal. The FAF Trustees and the FASB believe that this can be accomplished in a manner consistent with the priority of the FASB to improve financial reporting for the benefit of investors and other users of financial information in U.S. capital markets. To accomplish this long-term objective, the FASB is focused on 1) Developing high quality standards under Generally Accepted Accounting Principles, or GAAP; 2) Actively participating in the development of International Financial Reporting Standards (IFRS); and 3) Enhancing relationships and communications with other national standards setters.

FASB participation in the ASAF will provide the opportunity for representation of U.S. interests in the IASB's standard-setting process and make a positive contribution to the International Financial Reporting Standards (IFRS) Foundation's mission of setting high quality standards. It also will provide the FASB with insights that will contribute to the goal of bringing GAAP and IFRS closer together over time.

The FAF Trustees believe that the joint effort of the FASB and the IASB to develop more compatible and comparable accounting standards has been a major success and has delivered significant benefits to investors and other users of financial statements around the world. We strongly support the efforts of the FASB and the IASB to continue to work together cooperatively.

Qualifications

The chairman of the FASB meets the requirements for ASAF membership set out in Section 2.2.3 of Appendix B of the IFRS Foundation's "Call for Nominations" issued on May 1, 2015.¹ Specifically, the chairman is "capable of providing technical expertise, experience and practical knowledge of accounting issues from within their jurisdiction/region to enable them to contribute meaningfully to technical discussions and provide reliable and relevant technical advice to the IASB." The FAF and FASB also are "capable of, and willing to, allocate and commit necessary staffing and resources to meet the objectives of the ASAF and the IASB."

Commitments

In the "Call for Nominations," the IFRS Foundation calls on ASAF member organizations to sign a Memorandum of Understanding, in which each member would, among other things, commit to:

"...supporting and contributing to the IFRS Foundation in its mission to develop, in the public interest, a single set of high quality, understandable, enforceable globally accepted financial reporting standards."

In considering such a commitment, the FAF Trustees believe it important to articulate clearly and precisely how we view this commitment.

The FASB's primary mission is to establish and improve financial accounting and reporting standards for U.S. stakeholders to provide useful information for investors and other users of financial statements. To accomplish that mission, the FAF has established the following hierarchy of priorities for the FASB: First, conduct an

¹ Accounting Standards Advisory Forum: Call for Nominations, IFRS Foundation, May 1, 2015

independent, transparent and comprehensive due process that gives voice to a wide range of stakeholders, with primacy given to the users of financial statements. Second, promulgate standards that improve GAAP. Third, work to make GAAP more comparable with other accounting standards covering major global capital markets.

Supporting the IFRS Foundation's effort to continue to improve and develop IFRS by participating on the ASAF is consistent with the FAF Trustees' long-term goal of promoting greater comparability in financial accounting standards so that ultimately, global standard setters would agree on and adopt standards with the fewest possible differences.

The Trustees believe that the pursuit of a single set of global accounting standards is a worthy, aspirational, long-term objective. That said, designating the IASB as the standard setter for U.S. domestic issuers is not within the authority of the FAF. Furthermore, it would be inconsistent with the independent mission of the FASB if the Board were to unilaterally adopt IFRS as established by the IASB.

We believe that our understanding of the ASAF commitment is fully consistent with Section 3.7 of the "Call for Nominations," in which the IFRS Foundation commits to respect the independence of ASAF members and recognizes that ASAF members "operate under their own specific national mandates." The IFRS Foundation further commits "not to undermine or compromise the existing legal rights and obligations of the ASAF members within their respective jurisdictions."²

Conclusion

Based on that understanding, and that commitment from the IFRS Foundation, the FAF Trustees are pleased to nominate the chairman of the FASB for membership in the ASAF and look forward to continuing to work with the IFRS Foundation to improve global accounting standards.

Sincerely,



Jeffrey J. Diermeier

² Accounting Standards Advisory Forum: Call for Nominations, IFRS Foundation, May 1, 2015