

FINANCIAL REPORTING COUNCIL

Record of Special Meeting held on 4 March 2011

To coincide with a visit to Australia by Sir David Tweedie, a special meeting of Council members was held on 4 March 2011 at the offices of the Australian Securities and Investments Commission, Level 5, 100 Market Street, Sydney. The meeting commenced at 10.05 am and concluded at 11.45 am.

Attendance

FRC Members: Mr Jeffrey Lucy AM (Chairman); Mr Michael Coleman; Mr Michael Dwyer (via video link); Ms Noelle Kelleher (via video link); Ms Merran Kelsall (via video link); Mr Ian Laughlin; Mr Kevin Stevenson; Ms Jan West AM; Mr Klaus Zimmermann

IASB: Sir David Tweedie (Chairman); Mr Warren McGregor (Member); Mr Tom Seidenstein (Chief Operating Officer, IFRS Foundation)

FRC Secretariat/Australian Treasury: Mr Michael Lim (FRC Secretary); Mr Mark Sewell; Mr Les Pascoe

Apologies: Mr Bruce Brook; Mr Mark Coughlin; Mr John Gethin-Jones; Dr Stein Helgeby; Mr Jim Murphy; Mr Kevin Simpkins; Mr John Stanhope

Welcome

The FRC Chairman, Mr Lucy, welcomed Sir David Tweedie and Messrs McGregor and Seidenstein to the special meeting with members of the FRC. The purpose of the meeting was to enable a more detailed technical discussion about the International Accounting Standards Board's (IASB's) work program than had been possible at other functions attended by Sir David and FRC members.

Declarations of interest

Amendments to entries in the register of interests were advised by the following members:

- **Mr Brook** has ceased to be a member of the Finance Committee of the University of Melbourne.
- **Mr Coleman** has been appointed a member of the Federal Government Not-for-Profit Sector Reform Council.
- **Ms Kelsall** has been appointed a member of the International Auditing and Assurance Standards Board. She has also been appointed a director of Vic Super.

Report by FRC Chairman

Mr Lucy informed the meeting that the dinners hosted by CPA Australia in Melbourne and the ICAA in Sydney in conjunction with Sir David's visit to Australia went well. Both functions provided a valuable opportunity for Sir David to give attendees an update on the IASB's work program and to field questions on standards-setting issues.

Mr Lucy also informed the meeting that the Parliamentary Secretary to the Treasurer had advised him that he would not be reappointed for a further term as Chairman of the FRC when his current term ends on 10 March 2011. He said his replacement would be Ms Lynn Wood, a company director whose executive experience has included senior positions in the retail, property and finance sectors.

Visit by IASB Chairman

Mr Lucy thanked Sir David for his contributions to international financial reporting standards-setting over the last 10 years, and his support in general for Australia, as evidenced by his many trips here. He also thanked Mr McGregor for his many years of service on the IASB.

Sir David reciprocated by expressing his gratitude for the support he had received from Australia and from the FRC in particular. He mentioned that the early decision by Australia to adopt IFRS had been a major factor in driving the subsequent rapid spread of IFRS around the world. Sir David then discussed the crucial importance of the US SEC's forthcoming decision on whether to adopt IFRS and its possible consequences.

Mr Lucy asked whether there was anything the FRC could do to support the IASB's efforts in the USA. Sir David said that support in key forums such as the G20 and IOSCO would be very helpful. Mr Dwyer mentioned that the Chairman of ASIC currently held a key position in IOSCO as the Chair of the Joint Forum, and suggested that the FRC Chairman write to Mr d'Aloisio explaining the importance of the SEC's decision and asking for any assistance he could provide. Mr Lucy indicated that he was happy to do so.

Mr Seidenstein added that there were no obvious obstacles standing in the way of a positive decision by the SEC, but that it would still be a hard decision from the political point of view. He considered that the best support Australia could provide was to emphasise on appropriate occasions, such as public submissions, that we considered IFRS to be a quality product that was serving our interests well, to counteract the effect of criticism of IFRS from other parties.

Sir David discussed the IASB's convergence projects with the FASB, saying that on the whole they were progressing well towards completion by June. Mr Stevenson said that the number of new standards being developed would create a significant work load for the AASB this year, and that it will be important to carefully manage stakeholders and assist them in preparing for the impending changes. The impact of the new leasing standard on loan covenants was discussed, and the need to ensure that the banks are aware of the matter and adjust their documents accordingly. Mr Dwyer said that ASIC's Joint Chairs Committee was working on a project that included this issue; it was also mentioned that the FRC might need to become involved in talking to the banks if it became clear that problems were arising in implementing the new standard.

Sir David talked about the importance of the Asia-Oceania region and the Asian-Oceanian Standard-Setters Group (AOSSG) in particular. He welcomed the prospect of the AOSSG playing an active role in the development of IFRS, for example by contributing to key initiatives such as the forthcoming consultation on the IASB's post-convergence agenda later this year. It was noted that the annual meeting of the AOSSG will be held in Melbourne in November, and that there should be a discussion in the FRC about how to use this event strategically in the interests of Australia and the region.

Mr Seidenstein gave an overview of the two current reviews being conducted by the Trustees of the IFRS Foundation and the Monitoring Board. He emphasised that while the processes followed by the two reviews are separate, communication between the trustees and the Monitoring Board will occur to ensure that the outcomes are coordinated. Issues raised so far in submissions to the Trustees' review include the scope of the IASB's work, the 3 tier governance structure, the due

process followed by the IASB and its funding, with a clear preference emerging for a public funding system. It was highlighted that Australia and the Asia-Oceania region were contributing in excess of their weighting as measured by GDP.

Other business

This special meeting is the last FRC meeting to be attended by Mr Lucy in the capacity of FRC Chairman. Accordingly, Mr Coleman, Deputy Chairman of the FRC, took the opportunity, on behalf of other FRC members, to thank Mr Lucy for his contribution to the work of the FRC, and to financial reporting more generally, during his time as Chairman of the FRC.

Next meeting

Ms Lynn Wood, the FRC's Chairman-designate, is unable to attend the Council meeting scheduled for 23 March. Alternative meeting dates will be circulated to members for their consideration next week.