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February 24, 2016

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Canon Street
London EC4M 6XH, United Kingdom

Re: ***Comment Letter: Request for Views 2015 Agenda Consultation***

Dear Mr. Hoogervorst;

CFA Institute[1], in consultation with its Corporate Disclosure Policy Council ("CDPC")[2], appreciates the opportunity to comment on the International Accounting Standards Board ("IASB"), *Request for Views: 2015 Agenda Consultation* ("Consultation").

CFA Institute is comprised of more than 136,000 investment professional members, including portfolio managers, investment analysts, and advisors, worldwide. CFA Institute seeks to promote fair and transparent global capital markets, and to advocate for investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures provided to investors and other end users is of high quality.

GENERAL COMMENTS

CFA Institute welcomes the opportunity to comment on the Consultation. We consider it to be a useful undertaking for the IASB to define its forward agenda. Input from the various stakeholders is essential to identify where the standards need improvement in order to efficiently allocate resources of the IASB to solve financial reporting matters for the benefit of investors. While we have other specific comments to offer regarding the Consultation, we draw your attention to our letter in response to the 2011 Agenda Consultation in which we listed issues important to investors then that still remain important today.

Investor Priorities

The table below is an extract from the aforementioned 2011 comment letter. Today our key priorities are the same: a) financial statement presentation; b) other comprehensive income; and c) presentation and disclosure.

1 With offices in Charlottesville, New York, Brussels, Hong Kong, Mumbai, Beijing and London, CFA Institute is a global, not-for-profit professional association of more than 136,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 150 countries, of whom more than 136,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 144 member societies in 69 countries and territories.

2 The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

We elaborate further on each of these below.

2011 INVESTOR IASB AGENDA PRIORITIES

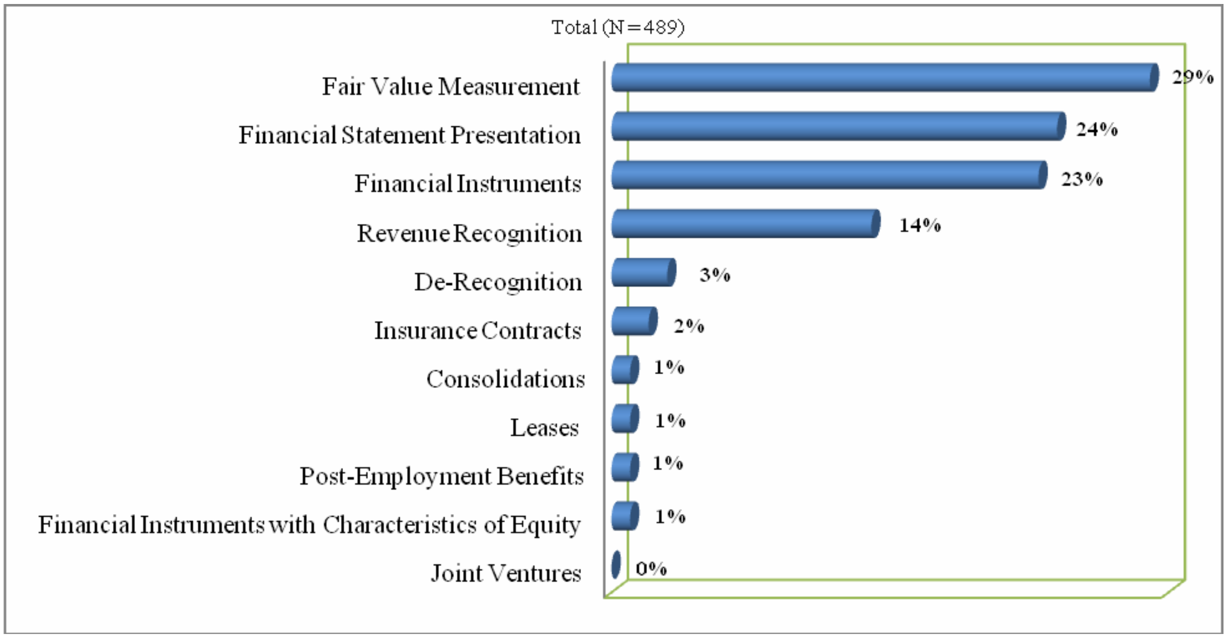
Key Projects For Investors	Deferred Projects	Projects With Broad Applicability	Projects With Specific Scope
Financial Statement Presentation	Financial Instruments with Characteristics of Equity	Business Combinations Between Entities Under Common Control	Agriculture, Particularly Bearer Biological Assets
Other Comprehensive Income	Income Taxes	Country-by-Country Reporting	Emissions Trading Schemes
Presentation and Disclosure Standard	Liabilities – Amendment to IAS 37	Discount Rate	Extractive Activities
		Earnings Per Share	Government Grants
		Equity Method of Accounting	Islamic (Shariah-Compliant) Transactions & Instruments
		Foreign Currency Translation	Rate-Regulated Activities
		Inflation Accounting (Revisions to IAS 29)	
		Intangible Assets	
		Interim Reporting	
		Post-Employment Benefits (including pensions)	
		Share-Based Payment	

Paragraph 55 of the Consultation notes the IASB prioritizes individual projects on its work plan based upon a series of factors. Top of this prioritization list is **"*the importance of the matter to those who use financial reports.*"**

<u>*Financial Statement Presentation*</u> – Though the top priority of investors, very little has been accomplished with respect to the financial statement presentation project and it is not established as a high priority project going forward[3]. We refer you to our 2011 letter for further remarks on why we regard this as a priority and urge the Board to place it on the near term standards-level agenda. The table below displays the results from our 2010 survey regarding Memorandum of Understanding projects. These results show that financial statement presentation is a high priority. While other projects such as fair value, financial instruments and revenue recognition have been completed, financial statement presentation remains incomplete. As we note under the discussion of the Disclosure Initiative below, an even more recent survey finds that financial statement presentation is a higher priority than the standard-setters' activities related to disclosures. In our view, completing this work for the benefit of investors is in keeping with the IASB's – aforementioned principle articulated in Paragraph 55 of the Consultation – on prioritizing matters of importance to users of financial statements. Given the prior work on the financial statement presentation project, it is unclear why this is classified in the assessment stage portion of the research agenda.

[3] As per Paragraph 32 of the Consultation, Primary Financial Statements (formerly Performance Reporting) is listed as a Research Project in the Assessment Stage.

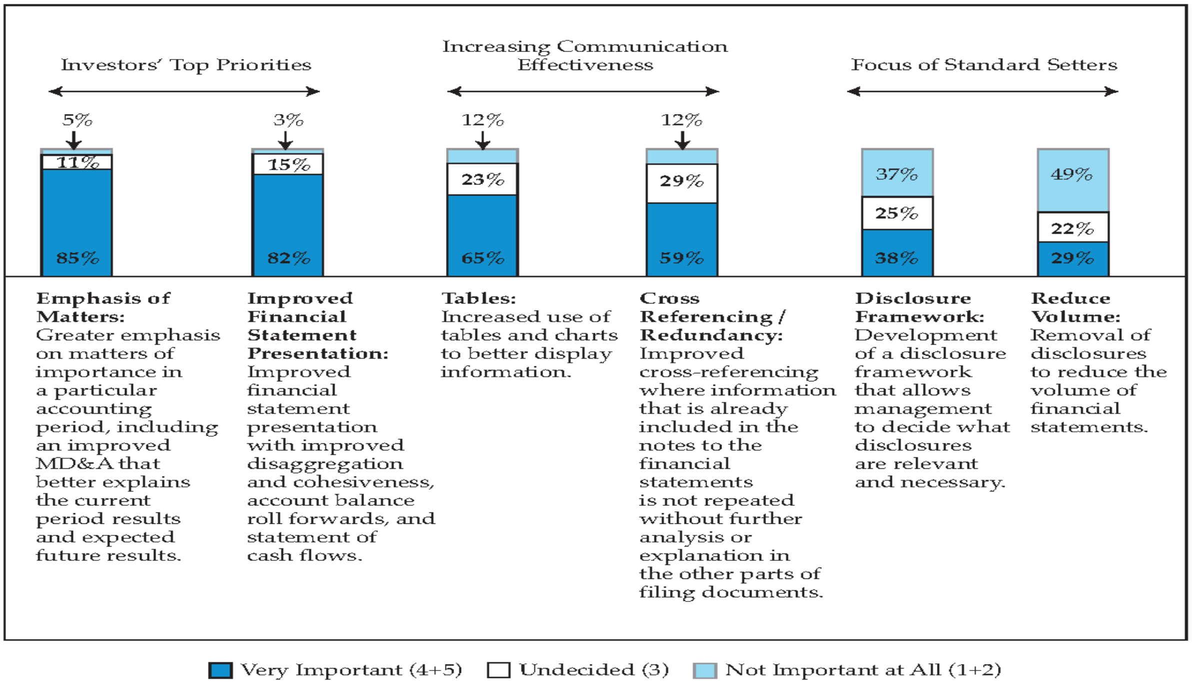
2010 MEMORANDUM OF UNDERSTANDING PRIORITIES



Other Comprehensive Income & Conceptual Framework – Defining other comprehensive income and when it is appropriate for standard-setters to utilize this caption has been a priority of investors for many years – as we highlighted in our 2011 comment letter. We have been disappointed by the fact that the IASB has not undertaken the issue of defining other comprehensive income as a part of the Conceptual Framework Project. We responded comprehensively to the Discussion Paper on the Conceptual Framework where we addressed this issue as well as the issues of measurement; presentation and disclosure; liabilities and equity; and other various issues. We are concerned with the direction of the Exposure Draft on the Conceptual Framework and its approach to topics, in addition to other comprehensive income, such as measurement and the apparent primacy of the income statement. We did not undertake to respond and restate our views in a follow-up comment letter on the Exposure Draft given the low receptivity to, and incorporation of, investor perspectives in the Exposure Draft; the time and resources required to comment on such an expansive document; and the lack of direct and immediate link to tangible improvement in standards and financial reporting.

Disclosure Initiative – We believe improving disclosures is an important issue to investors. However, the variety of different disclosure initiatives sponsored by various standard-setters and regulators without a common definition of the disclosure issues to be resolved by such initiatives seems an inefficient process which is unlikely to substantially improve effectiveness of disclosures for investors. Unlike preparers and auditors, investors do not have resources dedicated to monitor and respond to these various consultations. In our view, disclosures are not sufficiently unique across jurisdictions such that a coordinated approach cannot be taken to these initiatives with a joint process of engaging with investors on the key issues. A coordinated approach (in both subject matter and timing) around commonly defined disclosure issues would best garner investor input.

As we note in a recent comment letter to the FASB on their materiality proposals, the currently prevailing narrative is that investors are overloaded with immaterial and obfuscating information. As discussed in that letter and shown below in the chart extracted from the 2013 report *Financial Reporting Disclosures: Investor Perspectives on Transparency, Trust, and Volume* (Disclosures Report) – investors don't see disclosure overload as the principle issue of concern. Investors see improved financial statement presentation, emphasizing matters of importance and increasing communication effectiveness through tables and cross-referencing as more important than developing a disclosure framework or reducing the volume of disclosures.



How important would each of the following potential financial reporting changes be to you in the use of financial statements? (N = 303)

We note that IASB has called out its Disclosure Initiative as a part of the Consultation. Paragraph 49 of the Consultation notes the following as key elements of the disclosure initiative. The various subprojects within the Disclosure Initiative are categorized differently within the IASB's work schema as noted below:

DISCLOSURE INITIATIVE		PROJECT CATEGORIZATION
Principles of Disclosure	(49(a))	Standards-Level Project – Upcoming Discussion Paper Research Project – Development Stage
Statement of Cash Flow	(49(b))	Standards-Level Project – Assessing Comment Received
Materiality Practice Statement	(49(c))	Standards-Level Project – Upcoming Exposure Documents
Changes in Accounting Policies	(49(d))	Standards-Level Project – Upcoming Exposure Documents
Review of Existing Disclosures	(49(e))	

As we consider these elements of the Disclosure Initiative, we see that Principles of Disclosure is listed both under a Standards-Level and a Research Project and that review of existing disclosures is not listed in either category. Much of discussion on materiality and accounting policies relates to the volume and length of disclosures in response to the aforementioned overload narrative and the statement of cash flows work is very much focused on preparer concerns. As we called for in our comment letter on the Conceptual Framework Discussion Paper, we think overarching principles of disclosure are something investors would support – if directed appropriately – and we would support review of existing disclosures to identify investor focused disclosure issues and priorities. In the aforementioned Disclosures Report, we provide our insights on investors' disclosure priorities.

See also the discussion on Financial Information Ecosystem which follows.

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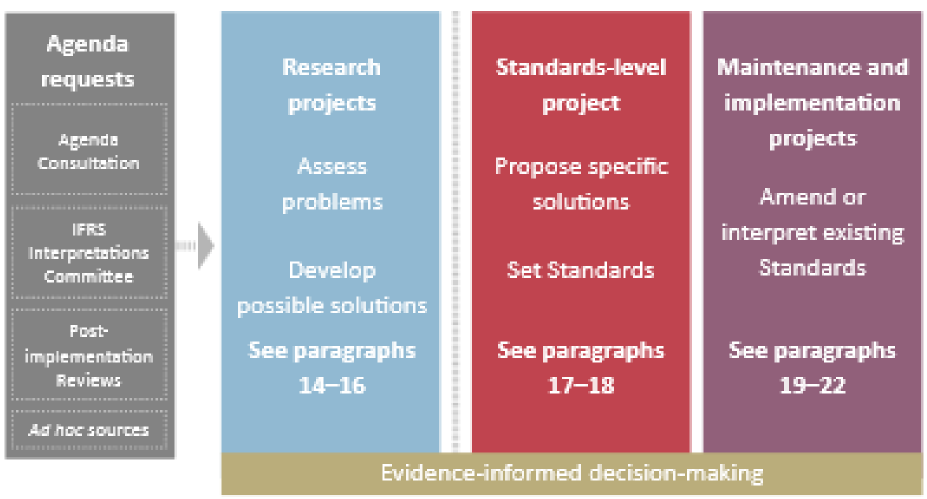
The IASB's Framework & Priorities

Accessing Investor Insights through Agenda Consultation Framework is Challenging – The Consultation articulates the IASB's schema for executing its work in two tables which we have reproduced below. We understand that the IASB categorizes projects according to whether they are research, standards-level or maintenance and implementation projects. While we understand the call for greater empirical research on certain projects, linking tangible financial and analytical issues to the IASB's respective research and standards-level project list becomes challenging for those not steeped in the IASB's new standard-setting process.

The challenge for investors in responding and providing meaningful feedback is that this articulation is not in the language or manner in which accounting issues emerge to investors. They read financial statements and articulate issues by financial topic or analytic problem not by how the IASB organizes its work (i.e. research, standards-level, etc.). We think the articulation of priorities by topic – in language which appears in financial statements – is a more effective means of garnering investor input.

We understand from the Consultation that not all research projects will become standards-level projects and that certain issues may become standards-level projects without ever being research projects. That said, research projects generally appear to be lower in priority, and certainly less immediate, than standards-level projects. As we describe above and below, we are concerned that certain investor priorities may be perceived as less of a priority being classified as research projects.

IASB APPROACH TO STANDARD-SETTING



AREAS OF FOCUS

Categories	Likely change in resources allocated in 2015–2020
Research projects	Increase, because of the expansion of the research programme.
Standards-level projects	No overall change.
Conceptual Framework	Significant decrease from 2017, when the *Conceptual Framework* project is expected to be completed.
Disclosure Initiative	Possibly some reduction towards the end of the period as individual projects are completed.
Maintenance and implementation projects	No overall change.

Investor Perspectives Standards-Level and Research Projects –
The standards-level and research projects have been excerpted from the Consultation and are included below:

RESEARCH PROJECTS

Project stage	Project
Assessment stage	Definition of a Business
	Discount Rates
	Goodwill and Impairment
	Income Taxes
	Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)
	Post-employment Benefits (including Pensions)
	Primary Financial Statements (formerly Performance Reporting)
	Provisions, Contingent Liabilities and Contingent Assets
	Share-based Payment
Development stage	Business Combinations under Common Control
	Disclosure Initiative—Principles of Disclosure
	Dynamic Risk Management
	Equity Method
	Financial Instruments with Characteristics of Equity
Inactive	Extractive Activities/Intangible Assets/Research and Development (R&D)
	Foreign Currency Translation
	High Inflation

STANDARDS-LEVEL PROJECTS

Due process stage	Project
Upcoming Standards	Insurance Contracts
	Leases
Published Exposure Draft	*Conceptual Framework*
Upcoming Exposure Drafts	Disclosure Initiative—Changes in Accounting Policies and Estimates
	Disclosure Initiative—Materiality Practice Statement
Published Discussion Papers	Dynamic Risk Management
	Rate-regulated Activities[a]
Upcoming Discussion Paper	Disclosure Initiative—Principles of Disclosure

Research Projects (Primary Financial Statements) – Our comments above highlight the importance of the Primary Financial Statements (formerly Performance Reporting) – substantively financial statement presentation. As we note above, we think this should be a more immediate priority than would be indicated by its placement in the assessment stage within the research project.

Research Projects & Standards-Level Project (Conceptual Framework & Disclosure Initiative) – Our thoughts on the Disclosure Initiative projects included within the research vs. standards-level agendas are indicated above. Similarly, our views on the Conceptual Framework project within the standards-level agendas are articulated above.

Standards-Level Projects (Insurance, Dynamic Risk Management and Rate-regulated Activities) – As it relates to the other standards-level agenda projects, we think it is important to conclude the Insurance Contracts standard. While important, Dynamic Risk Management and Rate-regulated Activities are applicable to a narrower scope of investors, and while interest may be high to investors in certain industries, our areas of interest are, consistent with our 2011 letter, on broader scope projects.

Research Projects (Discount Rates & Provisions, Contingent Liabilities and Contingent Assets) – We see Discount Rates as particularly important given not only its breadth of impact across standards but because of emerging economic issues with respect to negative interest rates. Several years ago, we responded extensively to the exposure document on IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Given the broad applicability of this standard, we think it would be useful for the IASB to conclude the work it began on this project. Both have significant bearing on measurement principles and forward-looking information and for that reason are very important to investors.

Research Projects (Business Combinations under Common Control & Equity Method) – Also important to us are the research projects on Business Combinations under Common Control and the Equity Method of accounting. The value at which businesses under common control are transferred and the related disclosures associated with such transactions are particularly important to investors in certain parts of the world. We also believe that the equity method project is important but, as we expressed in our letter to the FASB on its recent efforts to simplify the equity method, we are not interested in eliminating the equity method. What investors want is more information on the underlying businesses. We also see the need within IFRS standards to clarify and make more consistent the measurement principles regarding dispositions and acquisitions of interests in joint ventures and equity method investments.

Research Projects (Definition of a Business & Goodwill) – The FASB and IASB have recently discussed issues regarding improving the definition of a business and the consistency of the definition in U.S. GAAP and IFRS. Our view is that the challenge in applying the definition of business is because it is an accounting rather than economic construct designed to achieve a particular accounting outcome. This debate is an artifact of accounting distinctions which many investors adjust for. Much of the standard-setters work is focused on improving compliance with the accounting rather than improving the usefulness of financial statements for investors. Any project in this area should be done with the latter rather than the former in mind.

Similarly, there is a debate regarding the consistent treatment of goodwill and how it should be initially and subsequently measured. While investors have differing views on the subsequent treatment of goodwill, there is generally agreement that it is a useful indicator regarding management's performance as it relates to the acquisition. Though goodwill can be challenging, once businesses are integrated, to interpret and value – and many times impaired by the market before by the company – the impairment of goodwill provides a significant communication to the market regarding management's historical track record regarding acquisitions. Any project in this area should be done with the objective of improving such assessment and communication.

Research Projects (Financial Instruments with Characteristics of Equity) – We provided comments with respect to this issue in our comment letter on the Disclosure Framework Discussion Paper. In our paper on liabilities versus equity we noted the following:

> *Our alternative conceptual solution would be to employ a narrow definition of equity, a narrow definition of liabilities and then segregate instruments with elements of debt and equity into a separate balance sheet caption which includes expanded disclosures of the nature of the instruments and their features, their priority of payment, their fair values and a sensitivity analysis of such instruments to changes in market condition or features which impact their valuations or cash characteristics.*
>
> *Further, a disclosure of re-measurements of all liability, equity and liability/equity captions based upon fair values would be highly decision-useful to investors. We disagree with the notion expressed in Paragraph 5.56 which indicates that fair valuing debt potentially results in counterintuitive results. We think a re-measurement disclosure which fair values liability, equity and liability/equity and shows the transfer of value between the capital providers to the entity would be highly decision-useful to investors and very instructive to those who see the fair valuing of debt as counterintuitive.*

Given the seemingly unresolvable nature of this topic, our suggestion is to very narrowly define debt and equity and provide expanded disclosures including valuation of such instruments. Investors will adjust as necessary to suit their valuation and cash flow assessment requirements. Any project in this area should pursue improved disclosure and understanding for investors over a perfect distinction for balance sheet classification.

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Research Projects (Post-Employment Benefits, Stock-Based Compensation, Income Taxes) – We note the IFRS Interpretations Committee has undertaken to interpret many issues within the standards on Post-Employment Benefits, Stock-Based Compensation, and Income Taxes and while certainly there are areas for improvement in each of these standards, we see greater priorities for investors in some of the other projects noted above and the items of particular interest below. We would need to evaluate any proposed improvements as they are more narrowly defined. We would, however, redirect any resources on such areas to improving financial statement presentation and disclosures as they are likely to have a greater impact on improving financial information for investors.

Topics of Particular Interest to Investors
(Segments, Better Reporting of Revenues & Expenses, Tax Disclosures) – Not on the agenda are items such as improved segment reporting. Despite the post-implementation review, we still here a call from investors for improvements in the detail of segment reporting as well as the improvement in the detail of disclosures around revenues and expenses. Many investors observe that the financial statements reflect disclosures regarding many balance sheet captions with little articulation regarding the underlying details of revenues and expenses. Even more specifically investors have a greater interest regarding the geographic distribution of such revenues and expenses. While some suggest that the revenue disclosures will improve with the new revenue recognition standard – which may be true to a degree on disaggregation and geographic disclosures – we are concerned that many of the disclosures will be highly qualitative and boilerplate.

Closely related to this issue, investors would encourage the Board to improve disclosures – as is being considered by the FASB – regarding undistributed earnings in subsidiaries and the related tax consequences of the potential repatriation of such earnings to the parent company in which they invest. Where cash balances reside in foreign jurisdictions how they may be restricted in their movement throughout the consolidated enterprise is also something we have previously commented on which needs improvement.

Agenda Consultations*: *Pace of Change and Time between Consultations

While we recognize that developing standards consumes a great deal of resources and requires extensive outreach to gather information from all stakeholder groups, we worry that the slow pace of change decreases the relevance of financial statements. Many of the recently completed projects have taken a decade or more to complete.

We support a three year interval between consultations in order to best plan for short and long-term agenda requirements. Notwithstanding the fact that it often takes many years to complete standard setting activities, we believe that a shorter term horizon allows for more frequent and regular feedback from the stakeholder community. A three year interval signals to the stakeholder community that this feedback is essential to planning the IASB activities. However, should the IASB decide to lengthen the consultation interval to five years, we believe that flexibility should be allowed to address exceptional circumstances requiring immediate attention.

The Financial Information Ecosystem
While the Consultation notes it does not incorporate other activities of the IASB which are included within the *IFRS Trustees Review of Structure and Effectiveness: Issues for Review*, we think members of IASB must recognize the changes emerging in the financial information ecosystem as these should have a bearing on their thinking as they approach issues going forward.

The recent letter by BlackRock CEO Larry Fink to CEOs of large U.S. and European Corporations, lists several investor priorities which are shaping the financial information ecosystem which we believe are important to highlight.

1) ***The focus on long-term value creation.*** Initiatives such as Integrated Reporting may be best suited to provide some of these disclosures around value creation, but financial statements need to be integrated into the overall story. This may necessitate changes which provide a better articulation of such long-term value drivers.
2) ***The need for forward-looking information.*** We have long advocated for greater use of forward-looking measures because of their relevance to investors. Our recent piece to the U.S. SEC highlights the importance of forward-looking information. Mr. Fink reiterates their importance.
3) ***The use of other information used in investment decision-making*** – including sustainability, environmental, social and governance issues. The article highlights an increasing trend for more and different types of information. While the IASB may not want to engage in standard-setting around such types of information, the investor call for such information has direct bearing on the current disclosure overload narrative – illustrating that investors are not, in fact, overloaded with information.

Additionally, as we highlight (beginning on Page 26) in our 2013 Disclosure Report referenced above the IASB must be cognizant of the fact that technology can be utilized to deliver information more quickly and effectively. This has a bearing on their decision-making process (e.g. mitigating the disclosure overload narrative, making them the arbiters of the data and its structuring) and has the potential to reduce the relevance of financial statements (e.g. new types of unstructured information – including textual data – which can provide forward-looking insights and algorithms to evaluate their predictive power).

CLOSING REMARKS

We thank the Board for the opportunity to express our views on the *Request for Views 2015 Agenda Consultation*. If you, other members of the Board or your staff have questions or seek further elaboration of our views, please contact either Matt Waldron by phone at +1.212.705.1733, or by e-mail at matthew.waldron@cfainstitute.org, or Sandra J. Peters by phone at +1.212.754.8350, or by e-mail at sandra.peters@cfainstitute.org.

Sincerely,

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