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Seodaemun-Ku, Seoul, Korea(120-012)

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International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017 USA

Dear Sir/Madam

Re: Exposure Draft, Proposed Statements of Membership Obligations 1-7

The Korean Institute of Certified Public Accountants (KICPA) appreciates the opportunity to provide comments on the Exposure Draft, "Proposed Statements of Membership Obligations 1-7." The revised SMO, compared to the previous version, increases uniformity and cohesiveness between each structural frameworks of individual SMOs by consistently applying same framework. Moreover, it also adds applicable framework to each SMO and clarifies member bodies' varying degree of responsibility by specifying actions or requirements they should perform."

The followings are our comments regarding the specific questions you requested.

(Question 1) Considering differing national regulatory environments around the world, does the applicability framework included in each SMO provide sufficient clarity on what is expected of member bodies, when they have varying degrees of responsibility for an SMO area?

Applicability framework of each SMO explicitly clarifies responsibility of member bodies by classifying their responsibility into three levels: direct responsibility, no responsibility, and shared responsibility; and moreover, specify what procedures to be performed in different circumstances. Therefore, in our opinion, the revised SMO better reflects practical applications and provides more transparent and clear guidance to its members than the formal version of SMO.



(Question 2) The SMOs refer to adoption and implementation of international standards and provide descriptions of both concepts to ensure that both terms are understood in their broader meaning. Are these descriptions sufficient to ensure clear understanding that adoption and implementation encompasses a broad range of actions including national convergence, harmonization, incorporation, transposition, and integration of international standards into national frameworks?

The revised SMO helps its users easily understand the terminology, “adoption” and “implementation” by providing appropriate and understandable examples in their descriptions. However, considering that the IASB currently uses a compound terminology, “condorsement”, which embraces both meaning of the concept, “convergence” and “endorsement”; we suggest that the CAP consider containing those terminologies as examples in the descriptions of "adoption".

Other considerations

The Korean Institute of Certified Public Accountants believes that, in addition to the specific questions and answers above, the Compliance Advisory Panel in IFAC needs to consider the following suggestions:

1. Proportional responses regarding SMO 6 Paragraph 14

A paragraph 14 of proposed SMO 6 states:

Where local laws and public interest considerations permit, a proportional response shall be elaborated in relation to the individual member’s responsibility versus an issue with the firm. Possible elements to take into consideration are to evaluate if:

- the failures were systemic;
- the firm leadership was complicit in the willful misconduct or gross negligence;
- it forms part of a pattern of failures, identified through a rigorous inspection process, that have not been corrected in due time; and
- it represents a sufficient public concern.



The clause, “a proportional response shall be elaborated in relation to the individual member’s responsibility verses an issue with the firm”, in the above paragraph is ambiguous in its meaning. Therefore, we are not sure that this paragraph would be understood as a situation where the firm has a responsibility, not a individual member. We suggest that a relevant example be included and a detailed explanation of the concept, “proportional response”, be provided in the paragraph.

2. Clarification on a sentence, “Its members....”

A paragraph 3 of proposed SMO 7 states:

The IASB is the independent standard-setting body of the IFRS Foundation. Its members are responsible for developing and publishing IFRSs, including IFRS for SMEs, and for approving interpretations of IFRSs developed by the IFRS Interpretations Committee.

In the second sentence, “Its members are.....”, what the possessive pronoun “Its” refer to is ambiguous. We suggest that the CAP needs to clarify the subject entity. If this refers to the IFRS Foundation, in our opinion, the above sentence is better to be removed from the SMOs which intend to cover the IFAC members’ obligations.

3. Integration of repeated paragraphs

Over SMO 1 to SMO 7, same contents are included in each section of all SMOs. The “Obligation”, “Applicability Framework”, “IFAC Compliance Assessment”, and sections repeat same information over and over. We recommend the CAP to discuss on the matter regarding the replacement of those related paragraphs with one common paragraph in a particular location so that unnecessary information is eliminated from each SMO. For example, the common information may be stated in one particular chapter, probably named as “Common application to all SMOs.”



Once more, we really appreciate this opportunity to present our opinions. We hope our comments are useful in the revision and finalizing of the statement. Should you have any questions regarding our comments, please contact us at global@kicpa.or.kr.

We hope that our comments are useful in the further development of these standards. Should you have any questions regarding our comments, please contact us at global@kicpa.or.kr.

Yours sincerely,

Kee-Young Chung, Vice President

Korean Institute of Certified Public Accountants