



International Organization of Securities Commissions
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30 November 2015

IFRS Foundation Trustees
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Our Reference: 2015/JE/C1/IFRSF/141

Subject: Request for Views - Trustees' Review of Structure and Effectiveness: Issues for the Review

Dear Trustees:

The International Organization of Securities Commissions Committee on Accounting, Audit and Disclosure (C1) appreciates the opportunity to provide comments regarding the IFRS Foundation's Request for Views – Trustees' Review of Structure and Effectiveness: Issues for the Review (RFV). The International Organization of Securities Commissions (IOSCO) is committed to promoting the integrity of international capital markets through promotion of high quality accounting standards, including their rigorous application and enforcement.

Members of C1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of C1. They are not intended to include all the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

Context of Our Response

The input in this letter is based upon the day-to-day efforts of C1 and its members in working with International Financial Reporting Standards (IFRS). These efforts involve interacting with the IASB with respect to its work to improve IFRS and interacting with our constituents in implementing IFRS in or considering IFRS for our respective jurisdictions. IOSCO will, however, continue to provide its input on the strategic matters facing the IFRS Foundation (the Foundation) principally through its role as a member of the Monitoring Board.

Overall Comments

Overall C1 thinks that the RFV is comprehensive and thorough. It presents a good review and analysis of the current matters for consideration by the Foundation and its constituents.

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In our remarks, below, we have provided responses to the matters raised for consultation by the Foundation in the RFV. The numbering below corresponds with the related issue and question number within the RFV.

I. Ensuring that the relevance of IFRS is maintained

Development of accounting standards for not-for-profit entities

1. Some stakeholders have asked the Foundation and the IASB to consider whether the scope of the IASB's work should extend beyond the current focus of the organization to include standards for other types of entities, in particular not-for-profit entities. The IASB has already issued standards for SMEs and the question of whether there should be involvement with existing international public sector accounting standards has already been debated by the Trustees in 2014 and the decision made not to take on that responsibility. One area in which there are no international standards is in the not-for-profit sector. CI believes that because there is still work to be completed in key areas within the scope of the IASB's work on existing IFRS, such as insurance, the IASB should not use its resources to extend its remit at this time.

Role in developments in wider corporate reporting

2. We understand that the Foundation currently has MoU's with various international groups who are engaged in matters related to corporate reporting that provide for active participation at the IASB and staff levels. These cooperative arrangements between the Foundation and other organizations are an effective way for the Foundation to keep abreast of developments across a wide range of corporate reporting matters as opposed to not engaging at all or taking on these other forms of corporate reporting on its own. Therefore we agree with the proposal in the RFV that the Foundation participate through its existing forms of cooperation rather than the IASB broadening the scope of its work into these areas. Nonetheless, we believe the clarity of the Foundation's longer-term vision and strategy with respect to corporate reporting would also benefit from a top-down analysis.

Strategy for IFRS Taxonomy

3. We agree with the Foundation's strategy for the IFRS Taxonomy of focusing on the development and maintenance of the IFRS Taxonomy itself and leaving the development of a computer language (XBRL) that is used to render and view the Taxonomy to others that have the appropriate expertise. CI also believes that it is important to maintain a single IFRS taxonomy for comparability. This would not be possible if multiple IFRS taxonomies are developed by individual jurisdictions and other bodies.

Support for electronic delivery of financial reports to investors and other users and other developments and changes in technology

4. How information in financial reports is delivered to investors and other users is an area that is expressly dealt with by securities regulators. Before taking any steps to support regulators



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in the efforts to improve digital access to financial reports, the Foundation should consider the contributions it believes it could make and what it wants to develop. C1 would be pleased to discuss this matter with the staff of the Foundation.

5. See response to 4.

II. Ensuring consistency of application and implementation of IFRS

Implementation and enforcement of IFRS

6. We believe implementation is key and share a common interest that IFRS be consistently applied in practice. In considering whether the Foundation should do more, C1 notes that it has already taken a number of steps to foster the consistent application of IFRS internationally, including interactions with securities regulators, standard setters and regional bodies involved with accounting standard-setting and other stakeholders. C1 believes the IASB interacts with all of the relevant bodies and thus from that standpoint is doing enough already.

III. IFRS Foundation as an organisation

Functioning of the three-tier structure of governance

7. C1 does not see the interactions between the Monitoring Board and the Trustees during the course of its work and thus will leave any suggestions regarding those interactions to IOSCO's representatives to the Monitoring Board. We have a glimpse of the interactions between the Trustees and the IASB during the IFRS Advisory Council meetings in light of the matters that are discussed there. Based upon those interactions we do not have any suggestions for the functioning of the interactions between the Trustees and the Board.

Geographical distribution of Trustees and proposed increase in 'at large' Trustee appointments

8. We agree that the geographical distribution of Trustees should continue to be designed to be representative of the world's capital markets and ensure a broad international base. We would not object to the proposal to increase the number of 'at large' Trustee appointments from two members to five for the flexibility that might be needed to maintain appropriate geographical balance and to fully reflect the diversity of the 116 jurisdictions that make use of IFRS, while keeping the total number of Trustees at 22. Such a change to more at large Trustees could mean that the regions with six appointed trustees (Asia/Oceania, Europe and North America) would each be reduced to 5 for parity.

Professional backgrounds of the Trustees

9. C1 believes that specifications regarding the professional background of Trustees should be left up to judgment as to where the Foundation can get the best combination of expertise.



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Accordingly, the Constitution should remain largely similar to what it provides today regarding Trustee backgrounds. Nonetheless, we could see changing the current provision in the Constitution that states that normally two of the Trustees shall currently be senior partners of prominent international accounting firms, but we believe that the Constitution should still provide that at least one Trustees is a recent former senior accounting firm partner to ensure the Foundation has a Trustee that is a subject matter expert with the breadth of experience that comes from being in a prominent accounting firm that audits issuers who are applying accounting standards.

Focus and frequency of Foundation strategy and effectiveness reviews

10. C1 agrees with the Trustees' plan to update the wording of Section 17 of the Constitution to specify that a review of the entire strategy and effectiveness of the organisation (including, as appropriate, its structure) should commence, at the latest, five years after the previous review has been completed. As the Trustees' propose, this change should lead to placing more emphasis in the future reviews on *strategy* versus on *structure* and more complete reviews being conducted on a timely basis. An emphasis on strategy seems more appropriate for reviews conducted during the second decade of the Foundation's existence as long as its remit stays largely as it is today.

Proposed reduction in the number of IASB members from 16 to 13 and corresponding changes to geographical distribution of Board members and IASB voting

11. As noted in SC1's (the predecessor to C1) 17 September 2008 response on the second Constitution review, SC1 was not persuaded that increasing the number of IASB members to 16 would be the optimal solution to address the targeted Board outreach levels rather than increased participation by the Foundation and IASB staff in outreach activities. SC1 thought then that more detail supporting how the operations would be enhanced by adding two Board members was needed. In light of our reservations in 2008 regarding the increase to 16 members and our experience with how the IASB has functioned with fewer than 16 members since that time, C1 members do not object to the proposal now to change the Constitution to provide for a maximum of 13 members instead of 16.

If the Trustees decide to reduce the number of IASB members, then C1 agrees that the Foundation should also revisit the Constitution's current Board member geographic background provisions. In doing so the Foundation should consider how the geographic balance should be reflected among the major regions of the world versus simply making a prorata reduction of the current geographic distribution guidelines for Board members. If there is a reduction from a maximum of 16 to a maximum of 13 Board members, C1 agrees that the proportional changes to the current IASB voting provisions to require 9 votes if all Board seats are filled and 8 votes if they are not is acceptable.

Additionally, the Constitution states that the IASB Chair and Vice-chair(s) appointments should be made with regard to maintaining a geographical balance. We suggest that the Foundation consider whether to specify that the IASB Chair will be one of the "two members



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appointed from any area” versus the Chair potentially being associated with any of the specified Board member geographies.

Professional backgrounds of IASB Members

12. C1 supports the mostly editorial change to move the Constitution provisions in Section 27 regarding the professional mix of the backgrounds of IASB members to Section 25, which currently addresses the main qualifications of an IASB member. In doing so we also support adding “regulators” to the list of the sources of potential professional backgrounds of individuals with recent practical experience with IFRS. The Constitution would thus retain reference to auditors, preparers, users and academics, all of which can also serve as good backgrounds for potential Board members.

Change length of IASB members’ second term from three years to a period of up to five years

13. As noted in SC1’s 18 December 2009 response on Part 2 of the Foundation’s Constitution review, SC1 did not encourage nor object to the reduction of the length of a Board member’s second term from five years to three years. SC1 also did not understand why the length of the second term would differ for Board members as compared to the IASB Chair and Vice-Chair, whose second terms were to remain at five years. SC1 was neutral on the proposal to shorten the second terms to three years because it thought the goals involved in bringing a new Board member’s experience and recent IFRS expertise to the Board could be accomplished within the initial term of five years. As C1 continues to hold this view, we do not object to the current proposal to give the Trustees the flexibility to determine the length of the second term of a Board member as any period of time up to five years (so presumably under this proposal the length of a Board member’s second term could be anywhere from 1 to 5 years).

IV. Financing

Foundation funding model

14. C1 believes that the funding model is and will continue to be a challenge for the Foundation and supports the direction and actions already taken by the Foundation in this regard. C1’s overall views on Foundation financing continue to reflect the view that SC1 expressed in its 24 February 2011 letter on the Status of the Trustees’ Strategy Review. In that letter we observed that in light of an objective to have the Foundation’s financing encompass a good level of recurring funding so that the Foundation can plan for its operations and expenditures, then optimally the fewer the number of groups among whom the Trustees need to coordinate funding commitments, the more automated (or regularly recurring) the funding is likely to be. At the same time, however, we observed that there cannot be so few groups providing the funding that each effectively has influence over the Foundation or over the IASB by virtue of withholding funding. The financing goal should thus be to give the Foundation the stability it needs to plan its activities by striking the right balance between these two factors.



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We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information, please do not hesitate to contact me at +202-551-5344.

Sincerely,

Julie A. Erhardt
Chair, Committee on Issuer Accounting, Audit and Disclosure
International Organization of Securities Commissions