

IFRS Foundation
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Submitted electronically via go.ifrs.org/comment

30 November 2015

Dear Sirs,

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the IASB's Request for Views: Trustees' Review of Structure and Effectiveness: Issues for Review ("the consultation"). AFME represents a broad range of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks and other financial institutions. AFME advocates stable, competitive and sustainable European financial markets, which support economic growth and benefit society.

Please see below for more details regarding our comments on the specific issues raised by the consultation document.

Q1. Considering the consequences referred to above, what are your views on whether the IASB should extend its remit beyond the current focus of the organisation to develop Standards; in particular for entities in the private, not-for-profit sector?

We note that, in paragraph 18 of the consultation document, the Foundation has indicated its plan to examine the issue of an *IFRS for SMEs* standard as part of the Commission initiative on the Capital Markets Union (CMU). AFME has noted, in our response to the European Commission's Green Paper on Building a Capital Markets Union, that we consider the use of IFRS in the EU to have significantly increased comparability and transparency and the ability to reflect the increasing complexity of businesses. We are also supportive of the building of a CMU and welcome further exploration of the role that a common accounting standard for Small and Medium Enterprises could play in providing better access for SMEs to a broader capital base.

Q2. Do you agree with the proposal that the IASB should play an active role in developments in wider corporate reporting through the co-operation outlined above?

We would encourage the IASB to continue its participation in forums such as the International Integrated Reporting Council. We consider that the wider corporate reporting

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initiatives put forward by different organisations (such as the CRD forum or IFAC) can be important tools in providing a more comprehensive picture of an entity's performance. We would therefore welcome the IASB's continuing involvement in developing these proposals.

We would also note that the European Commission's Call for Evidence states that "in some areas, the same or similar information may be required to be reported more than once, or requirements may result in a way which is not useful to provide effective oversight or added value for investors". We would therefore suggest that future work on disclosure requirements should concentrate on identifying both areas where such requirements could improve the clarity and comparability of corporate reporting and instances "where streamlining/clarifying the obligations would improve quality, effectiveness and coherence"¹.

Q3. Do you agree with the Foundation's strategy with regard to the IFRS Taxonomy?

We have no comments at this stage on the Foundation's proposals with regard to the IFRS Taxonomy.

Q4. How can the IASB best support regulators in their efforts to improve digital access to general purpose financial reports to investors and other users?

AFME supports the IASB in its efforts to support the improvement of digital access to general purpose financial reporting. In particular, we support the IASB's efforts to assist preparers by "building profiles of current requirements in each jurisdiction for filing and distributing IFRS Financial Statements" (paragraph 34 of the consultation document). This may be helpful in establishing good practice regarding digital access.

Q5. Do you have any views or comments on whether there are any other steps the IASB should take to ensure that it factors into its thinking changes in technology in ways in which it can maintain the relevance of IFRS?

We support the Foundation's intention to undertake research about how technology is impacting the filing of corporate reports. We therefore encourage the IASB's work in understanding the effect of improvements in technological solutions which facilitate the sharing and ease of access to financial information.

Q6. What are your views on what the Foundation is doing to encourage the consistent application of IFRS? Considering resourcing and other limitations, do you think that there is anything more that the Foundation could and should be doing in this area?

Addressing the challenges of consistent application and implementation of accounting standards requires (as mentioned in paragraph 45 of the consultation document) the support of "a network of securities regulators, audit regulators, standard-setters, regional

¹ European Commission – Call for Evidence EU Regulatory Framework for Financial Services

bodies involved with accounting standard-setting etc.” and IASB specific actions. These organisations can assist the IASB, for example by bringing to its attention issues where there is diversity in practice. In this context, we would support a review of the due process requirements of the IFRS Interpretations Committee (IFRIC). The review could look at ways in which the process for reaching agenda decisions and interpretations could be streamlined, leading to more timely conclusions. For example, we think it might be appropriate to explore conditions under which members of the IFRIC could work on technical analysis in preparation for formal meetings in order to help maximise their efficiency and effectiveness. This in turn would help the IASB to develop narrow scope amendments more quickly.

Implementation of standards could also be facilitated by a clearer understanding of the roles of the various organisations involved (IFRIC, ESMA, and Transition Resource Groups etc). This would allow responsibilities to be better understood by participants and improve the predictability of any changes or clarifications produced as a result. In particular, we would highlight the potential for Transition Resource Groups to be an important tool in helping identify problems encountered in the application of new standards. We would therefore welcome exploring the possibility of making TRG’s a standard fixture in the implementation of any future standards.

With regard to the drafting of “clear, understandable and enforceable Standards”, we support the IASB’s efforts in ensuring consistency in the translation of accounting standards into local languages.

Q7. Do you have any suggestions as to how the functioning of the three-tier structure of the governance of the Foundation might be improved?

We view the functioning of the three-tier structure of the governance of the Foundation as appropriate.

Q8. What are your views on the overall geographical distribution of Trustees and how it might be determined? Do you agree with the proposal to increase the number of ‘at large’ Trustee appointments from two to five?

We welcome the Foundation’s efforts in ensuring a balanced geographical distribution of its Trustees. At this stage we have no further comments on the Foundation’s specific proposals regarding the geographical distribution of Trustees.

Q9. What are your views on the current specification regarding the provision of an appropriate balance of professional backgrounds? Do you believe that any change is necessary and, if so, what would you suggest and why?

We believe that the current specifications regarding professional backgrounds (providing for the need to ensure an appropriate balance) are appropriate in meeting the Foundation’s

objective. We also welcome that the Foundation is not intending to make the specifications more prescriptive (for example by assigning a quota for representatives of different professional backgrounds). We therefore support maintaining the Monitoring Board's flexibility in their selection of new Trustees and the Foundation's ability to attract the most qualified individuals for this position.

Q10. Do you agree with the proposal to change the focus and frequency of reviews of strategy and effectiveness, as set out above?

We support the current frequency of the Foundation's review of strategy and effectiveness. While we agree that "spending a good deal of its time in reviewing itself" (as mentioned in paragraph 86 of the consultation document) would not seem to be conducive to efficiently carrying out the Foundation's remit, we also note that in practice the period between reviews is 4 years (due to the timing of public consultations). We view this period therefore as sufficiently long to allow the organisation to react to the conclusion of its previous review, while at the same time providing an adequate frequency for stakeholders input.

Q11. Do you agree with the proposals to reduce the size of the IASB as set out in the Constitution from 16 members to 13 and the revised geographical distribution?

At this stage, we have no comments regarding the Foundation's proposal to reduce the size of the IASB.

Q12. Do you agree with the proposal to delete Section 27 and to amend the wording of Section 25 of the Constitution on the balance of backgrounds on the IASB?

Please see our response to Question 9 above.

We agree with the proposed wording in Section 25 of the Constitution, and also welcome the Foundation's goal to "retain a degree of flexibility" in the selection of new Board members.

Q13. Do you agree with the proposal to amend Section 31 of the Constitution on the terms of reappointment of IASB members as outlined above?

We agree with the proposed amendments and support the proposal in paragraph 94(b) to introduce some flexibility in the reappointment of members to make their terms renewable once for up to five years.

Q14. Do you have any comments on the Foundation's funding model as outlined above? Do you have any suggestions as to how the functioning of the funding model might be strengthened, taking into consideration the limitations on funding?


We would urge the Foundation to consider any extension of the IASB's scope or mandate against resourcing constraints. We therefore consider that, in the absence of extra funding,

the current work programme (and especially the finalisation of work already commenced on Standards-level projects) should be prioritised.

Q15. Should the Trustees consider any other issues as part of this review of the structure and effectiveness of the Foundation? If so, what?

At this stage we have not identified any other issues that the Trustees should consider.

Yours sincerely,

A handwritten signature in black ink that reads "Richard Middleton". The signature is written in a cursive, slightly slanted style.

Richard Middleton

**Managing Director &
Head of Accounting Policy**