Exposure Draft: Trustees’ Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution

Dear Mr Prada,

Mazars welcomes the opportunity to comment on the IFRS Foundation’s Exposure Draft (hereafter ED) Trustees’ Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution, issued on 10 June 2016.

We welcome the Trustee’s responsiveness to its constituents’ comments on its previous consultation in its redeliberations of the changes to be brought to the IFRS Foundation’s Constitution. We nevertheless have some reservations on the proposals and provide hereafter our comments.

Geographical membership of the Trustees (proposal 1) and the IASB (proposal 7)

Regarding the geographical membership of either the Trustees or the IASB, we had responded and continue to believe that it needs to be adjusted to reflect the use of IFRS by jurisdictions’ domestic listed entities (and the standstill situation of the United States vis-à-vis adoption of IFRS) as well as the funding of the organisation. The proposals go in the right direction. We feel, however that, in regrouping the Americas’ existing contingents into one region, the former South America region should always be represented in the proposed contingent and the US should not be comparatively over-represented. We look forward to the implementation of these proposals as soon as possible in view of the existing members’ serving terms.

Size of the IASB (proposal 5)

We disagree with reducing the size of the Board to 13 members. We consider that, up to July 2016, the 14-member Board was functioning well. Moreover, we disagree with not providing criteria for the discretionary nomination by the Trustees of a fourteenth member, especially given the financial impact of such nomination.
Terms of reappointment of the Board (proposal 8)

We are still of the view that the existing length of membership, including renewal, is appropriate and disagree with changing the renewal for a further term of up to five years. We are concerned that this would create some unduly form of competition amongst Board members or the consideration of other aspects which ought not be taken into account in such decision, or even some form of automatic renewal for 5 years.

In addition, we note and regret that:

- The procedures defined by the Trustees would still have to be developed to understand on which basis the increased renewal would be granted;
- The wording is unclear about whether the proposal relates to one renewal of up to 5 years or to whether an additional year or two could be granted after the renewal of 3.

Focus and frequency of reviews of structure and effectiveness of the IFRS Foundation (proposal 4)

We agree with the proposal to extend the focus of the reviews of the IFRS Foundation beyond governance matters to strategy.

However, as before, we disagree with changing the frequency of these reviews of structure and effectiveness. At the very least, if this proposal becomes effective, the wording in the Constitution should make it clear that such a review would have to occur on an ad-hoc basis in the interval should issues arise and need to be dealt with urgently.

We agree with the following proposals:

- The variety of professional backgrounds for both the Trustees and the IASB (respectively proposals 2 and 6);
- The IASB’s voting requirements (proposal 9) should the Trustees’ proposals become effective;
- The proposed deletion of the Trustees’ per meeting fees, provided, as mentioned in §20 of the ED, this does not entail any increase in the annual fee (proposal 3);
- The reduction of the ‘normal’ number of meetings of the Advisory Council from three to two (proposal 10)

Please do not hesitate to contact us should you want to discuss any aspect of our comment letter.

Yours sincerely,

Michel Barbet-Massin
Head of Financial Reporting Technical Support