



Basel Committee on Banking Supervision

BANK FOR INTERNATIONAL SETTLEMENTS

Chairman

Via email

Mr. Michel Prada
Chairman of the Trustees
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

30 November 2015

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

Dear Mr Prada

The Basel Committee on Banking Supervision welcomes the opportunity to comment on the International Financial Reporting Standards (IFRS) Foundation Trustees' *Review of Structure and Effectiveness: Issues for the Review* (hereafter referred to as the Review). The Committee has a strong interest in high quality financial reporting by banking organisations and strongly believes that governance issues are critical when developing financial reporting standards in the public interest.

The Committee broadly supports the Trustees' recommendations and the focus on strategic goals for pursuing a global IFRS adoption and supporting a consistent application as explained in your Review.

Our responses to selected questions raised in the Review are set out below.

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 organization to develop Standards; in particular for entities in the private, not-for-profit sector?

We believe that the IASB should keep its focus on developing standards for the private, profit-oriented sector. Extending its activities to entities in the private, not-for-profit sector or public sector would likely require additional resources, which are already limited.

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?

Our view is that the IASB should keep the current level of co-operation in wider corporate reporting while remaining focused on its unique expertise in financial reporting.

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?

We welcome the strategic goal of encouraging consistent application of IFRS as set out in the Review. We appreciate the activities of the Transition Resource Groups that support consistency of application through outreach activities with key stakeholders and preparers. Furthermore, we welcome the work of the IFRS Interpretations Committee and would support enhancing its activities.

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 believe that the current three-tier structure of the IFRS Foundation is still appropriate. We think our role as observer to the Monitoring Board has proven valuable in supporting the IFRS Foundation. Concerning changes to the Constitution, we think the Monitoring Board has been successful to date in securing appropriate oversight of the trustees and ensuring an adequate nomination process. Changes to the role of the Monitoring Board are not seen as necessary.

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?

The current balance of professional backgrounds for Trustees seems appropriate and we would not suggest any changes bearing in mind that we do not support a change to the IASB's scope of work as stated in our response to Q1.

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

We agree to specify that a review of the strategy and effectiveness should start five years after the previous one has been finalized, at the latest.

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?

We agree with the suggestions concerning Sections 27 and 25 of the Constitution. The Committee supports the Trustees' proposal to amend the wording in the Constitution to broaden membership to market and/or financial regulators. The Committee is of the view that the Trustees could go further than this and extend membership beyond accounting related professionals and consider inclusion of experts in other areas, such as economists, in order to bring further insight and expertise from other disciplines to the Board's work.

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 would prefer keeping the current limitation of the second term to three years for ordinary board members. From our point of view, extending the length of the second term may have the undesirable effect of lengthening the time of standard

development. However, a compromise solution could be to keep the current maximum of eight years, but allowing a different distribution over two terms.

We trust you find these comments helpful. They have been prepared by the Committee's Accounting Expert Group, chaired by René van Wyk, Registrar of Banks, South African Reserve Bank. If you have any questions regarding the matters discussed in this letter, please feel free to contact Mr van Wyk, (+27 12 313 3601), Markus Grund, Chief Accountant at the German Federal Financial Supervisory Authority (+49 228 4108 3671) or Xavier-Yves Zanota at the Basel Committee Secretariat (+41 61 280 8613).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Stefan Ingves', is centered below the text 'Yours sincerely'.

Stefan Ingves