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Re: Paper for Public Consultation "*Status of Trustees' Strategy Review*"

We appreciate the opportunity to comment on the Trustees' public consultation on the future strategy of the IFRS Foundation.

Please find enclosed our response to the questionnaire of the consultation paper.

AFEP, which currently includes more than 90 groups that are among the most important of the French economy, aims to assert the position of large French companies with international bodies, European institutions and the French government, as regards mainly legislation of a general nature.

Should you wish any supplementary comments, please do not hesitate to contact us.



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**« TRUSTEES' STRATEGY REVIEW »  
IASB**

**Mission : How should the organisation best define the public interest to which it is committed ?**

*1. Should the current Constitution's objective be subject to revision?*

Yes, it should be clarified that *users of financial statements include not only capital providers, but also companies themselves*. The term "preparers" (of financial statements) should no longer be used to refer to companies, as these establish and use financial statements for their own needs as well (internal use of their financial statements and use of other companies' financial statements to monitor commitments). The term "companies" should be preferred.

Although the objective of IFRS is not strictly speaking to meet the objective of financial stability, it should be stressed however that IFRS can not be incompatible with this objective and increase pro-cyclicality.

*2. To what extent can and should the two following perspectives be reconciled : financial reporting standards and public policy concerns, particularly financial stability requirements ?*

*The objective of financial stability should be taken into account at all stages of the standard-setting process, and in particular in the IFRS conceptual framework.*

**Governance: how should the organisation best balance independence with accountability?**

*3. Does the three-tier structure - Monitoring Board, IFRS Foundation Trustees and IASB - remain appropriate?*

- *The structure based on three bodies seems acceptable, subject to clarifying their roles as outlined below;*
- *The respective roles of the IASB, the IFRS Foundation and the Monitoring Board should be defined as follows:*
  - *The IASB should ensure the development of standards within the framework of strategic directions and of a work programme that should be discussed and adopted by the IFRS Foundation, after annual public consultations;*
  - *The IFRS Foundation, which represents the private stakeholders of the financial community, should ensure - based inter alia on these public consultations - that the strategic directions, the work programme and the timetable of the IASB respond to identified needs of users of financial statements, are widely accepted and, through*

*consultation with prudential supervisors, take into account the objective of financial stability;*

- *The Monitoring Board (MB), whose membership should be extended to these supervisors, should ensure that the strategic directions of the IASB and the IFRS, before their possible adoption/application, take due account of the public interest and the need for financial stability.*

**4. Are further steps required to bolster the legitimacy of the governance arrangements (including in the areas of representation of and linkages to public authorities)?**

Yes.

As stated in our previous responses, the composition of the MB should be extended to prudential supervisors (please refer to our answer to question 3). In addition, the objective of financial stability should be taken into account at all stages of the standard-setting process and in particular in the IFRS conceptual framework (please refer to our answer to question 2).

**Process: how should the organisation best ensure that its standards are high quality, meet the requirements of a well functioning capital market and are implemented consistently across the world?**

**5. Is the standard-setting process currently in place structured in such a way to ensure the quality of the standards and appropriate priorities for the IASB work programme?**

Significant improvements should be made as regards how the strategic directions, work programme and timetable of the IASB are determined and as regards the standard-setting process:

- *The draft strategic directions and work programme should be subjected to annual public consultations. These consultations should give rise to feedback statements showing the reactions of stakeholders by their nature and geographical origin;*
- *The strategic directions, work programme and timetable of the IASB, for 2011 and beyond, should now be discussed and validated by other bodies than the IASB itself. The objectives should be to better identify the users' needs and the potential impacts of standards, to set priorities and to adopt realistic deadlines:*
  - As indicated in our response to question 3:
    - \* *The IFRS Foundation should ensure that the strategic directions, work programme and timetable of the IASB respond to identified needs of users of financial statements (including companies), are widely accepted and, through consultation with the prudential supervisors, take into account the objective of financial stability;*
    - \* *The MB should ensure that the strategic directions of the IASB and the IFRS, before their possible adoption/application, take due account of the public interest and the need for financial stability.*

- The objective of financial stability should be taken into account at all stages of the standard-setting process;
- To enable the development of high-quality standards, the IASB timetables should allow proper consultation with stakeholders. Simultaneous consultations on several key issues should now be avoided.
- *IFRS should be subjected to a quality control organized by the IFRS Foundation and operated by an independent body, e.g. the IFRS Advisory Council:*
  - *before the publication of IFRS:* the quality control, which would assess the achievement of the initial objectives of every project, would give rise to a report to the IFRS Foundation and the MB. This quality control should be *based in particular on the impact assessments* that would be conducted at the initiative of either of these bodies *and on the field tests* that the IASB would have to carry out for each major project;
  - *after the first application:* a post-implementation review of the standards should be made for each major project, especially shortly after their first application.
- *Given their importance, decisions relating to directions and approval of final standards should be taken by an enhanced majority.*

6. Will the IASB need to pay greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis ?

As stated in our response to question 5, post-implementation reviews of standards should be carried out. These reviews should take into account, among other things, the issues related to the consistent application and implementation of standards that would be brought to the attention of the IASB.

In this respect, a closer relationship should be organized between the IASB and the regions or countries applying IFRS.

**Financing: how should the organisation best ensure forms of financing that permit it to operate effectively and efficiently?**

7. Is there a way, possibly as part of a governance reform, to ensure more automaticity of financing?

The following principles appear to be acceptable:

- allocation of calls for contributions based on the gross domestic product criterion (GDP);
- fundraising organised by each country and / or geographic area.

**Other issues****8. Are there any other issues that the Trustees should consider?**

- *The capacity to develop standards, and therefore the participation on the IASB Board, should be open only to representatives of countries that are applying IFRS for domestic purposes or have taken the firm commitment to do so;*
- The standard-setting processes and the related control processes should enable to ensure that IFRS remain principle-based.