

IFRS Foundation

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This document is provided as a convenience to observers at IFRS Foundation meetings, to assist them in following the discussion.

INFORMATION FOR OBSERVERS

IFRS Foundation Trustees Meeting, Washington, 6 July 2010

AGENDA PAPER 1

Trustees' Strategy Review

As a result of the Constitution Review, the Trustees agreed to undertake a full strategic review of the organisation's activities beyond June 2011. The Trustees completed the last such review in 2007, in advance of the second Constitution Review. The report from that review is attached as Appendix A.

In doing so, the Trustees agreed that the review shall include consultation with the Monitoring Board and public consultation with stakeholders (including the Advisory Council).

Topics Agreed at March Meeting

At their March meeting, the Trustees agreed that the review should address the following areas:

- **Topic 1—Issues related to governance, procedures, and stakeholder engagement:** The Trustees should examine whether any steps beyond the present arrangements are needed to maintain the independence of the standard-setting process, whether the Trustees' and the IASB's working procedures are effective and in the public interest, whether further governance and organizational enhancements are needed, and whether there are additional ways to improve stakeholder engagement in the standard-setting process given the breadth of the Foundation's global constituency.
- **Topic 2—Issues related to the scope of the Foundation's activities:** In light of the global spread of IFRSs, the Trustees should examine the scope of the Foundation's activities. Stakeholders suggested that the Trustees undertake a broader review of what financial reporting should be like in the future and the impact on the organization. Other topics to consider include the organization's role in not-for-profit

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and public sector accounting, XBRL and its impact on standard-setting, brand enforcement, and consistency of application.

- **Topic 3—Issues related to financing and resource allocation within the Foundation:** The Trustees should examine both the financing needs to manage growing demands and the methodology for funding.
- **Topic 4—Effectiveness of the IFRS Advisory Council:** The Trustees decided not to make any changes in the Constitution related to the Advisory Council's mandate and structure. However, they agreed to conduct a review of the Advisory Council's effectiveness.

Questions for the Strategy Review

The Trustees' tasked the Executive Committee with identifying questions for each of the four topics listed above to serve as a starting point. Below staff suggests a series of questions for the Committee's consideration.

Topic 1: Governance, procedures, and stakeholder engagement (including the role of national standard-setters)

- As the number of stakeholders grows, how does the organization balance the need to preserve independence with the requirements of public accountability?
- What steps should the Trustees take to help ensure the efficient working of the governance arrangements?
- The IASB has a detailed due process. It has adopted a number of enhancements related to that due process. In order to ensure broader and truly global stakeholder engagement in the standard-setting process, do the Trustees and the IASB need to consider further changes in the agenda-setting and standard-setting process? (This may include involvement of national standard-setters, stakeholder groups, etc.)
- Are there additional ways to improve stakeholder engagement in the organization's activities given the breadth of the Foundation's global constituency?

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Topic 2—Scope of the Foundation’s activities

- How should financial reporting evolve over the next decade, and to what extent will these anticipated changes impact the Foundation and the IASB?
- In the light of any anticipated changes, in which activities should the Foundation engage? The Trustees should consider issues related to not-for-profit and sector neutral reporting, sustainability, electronic reporting, etc.
- What should the Foundation and others be doing to maintain the quality of the IFRS brand and ensure the consistency of IFRS application?

Topic 3—Financing and resource allocation

- What steps should the Foundation take to ensure that its resource needs are fully met in a way that maintains the independence of the organization’s operations?
- As more countries move to publicly endorsed methods of financing (such as levies or direct payments), public disclosure and administrative requirements will grow. How should the Foundation work with the Monitoring Board to provide public accountability without imposing unreasonable burdens and conditions on the organization?
- Consistent with the need for appropriate stakeholder outreach, where should the Foundation/IASB resources be deployed?
- Consistent with the changing financial reporting environment, what is the mix of skills that the Foundation/IASB requires of staff? How will the Foundation attract and maintain staff?

Topic 4—Effectiveness of the IFRS Advisory Council

- What role should the IFRS Advisory Council play in the organisation’s governance and standard-setting process?

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- Based upon the agreed role, who should be represented on the Advisory Council?
What is the appropriate size of the Advisory Council?
- What steps could the Foundation take to ensure the Advisory Council provides effective advice to the Trustees and the IASB?

Next Steps*Methodology*

After agreeing the set of questions as a starting point for the strategy review, the Trustees should agree to the process for pursuing the review. Staff recommends that the Trustees should delegate the initial work to the Executive Committee. This committee could then present findings to the full Trustees for review.

Timing

Depending on the methodology agreed, the Executive Committee should meet at least once by the middle of September.

A meeting should also be organized between the Trustees responsible for the Advisory Council review and the chair and vice chairs of the Advisory Council. This review should be complete by the first Trustee meeting of 2011 in order to inform discussions regarding membership in 2011.

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APPENDIX A—2007 Strategy Review Report

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IASCF TRUSTEES' MEETING
NEW YORK, 31 OCT /1 NOV 2007
AGENDA PAPER 10B

The Pathway to a Global Standard

1. “How should IFRSs, the IASC Foundation and the IASB be recognized?” In little more than six years, the possibility that the world’s capital markets will have a common, internationally accepted set of accounting standards is closer than ever. In large part, the adoption of IFRSs is a reflection of the twin market trends of economic integration and the continuing development of capital markets. However, achieving that objective is not guaranteed. To succeed, the organization will need to adapt to the changing operating environment, where the IASC Foundation is facing increased public interest and scrutiny. It is in this context that this paper therefore seeks to answer the question posed above.

2. In developing this vision, the Trustees’ Strategy Committee has consulted with the Trustees as a whole, the International Accounting Standards Board (IASB), and representatives from the Standards Advisory Council (SAC). The Strategy Committee is seeking final approval of the vision described in this paper (possibly revised once more) at the October/November Trustees’ meeting. While the Trustees would not publish the final document, the Trustees could use the document to initiate discussions with key interested parties and to frame the Constitutional Review process, which is set to begin in July 2008.

Becoming the Pre-eminent Global Standard

3. The organization’s strategy is and should be aimed at making **IFRSs the unrivaled global standard for financial reporting**. To be successful, the IFRSs should be the only set of high-quality accounting standards that are used by investors to make decisions regarding the allocation capital for companies operating in the world’s capital markets. These standards should provide transparency, comparability and consistency of financial reporting across companies and borders to enable investors to allocate capital efficiently and supervision by regulatory authorities to be conducted more efficiently and effectively. These standards should be based on clearly articulated principles, enabling financial reporting practitioners to utilize their judgment and making financial statements more accessible to users.

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4. The beneficiaries of such a global system would be broad-based. For companies operating in multiple countries, the acceptance of international standards will cut the cost of complying with various national regimes. A common financial language, applied consistently, will enable investors to compare the financial results of companies operating in different jurisdictions more easily and provide more opportunity for investment and diversification. For auditors, a single set of accounting standards should enable international audit firms to standardise training and better assure the quality of their work on a global basis. An international approach for accounting should also permit international capital to flow more freely, enabling audit firms and their clients to develop consistent global practice to accounting problems and thus further enhancing consistency. Finally, for regulators, the confusion associated with needing to understand various reporting regimes would be reduced.

5. It is also recognized the requirements of users are evolving with changes in the marketplace, new technologies, and the evolution of accounting theory. The concept of financial reporting may need to be broadened from purely traditional accounting standards to include other areas within financial reporting. The Trustees and the IASB have already accepted that financial reporting goes beyond issues of traditional accounting standards. The Trustees support efforts aimed at developing best practice regarding management discussion and analysis and areas of electronic reporting. The IASB should take active account of these emerging areas in the development of its standards, and the Trustees should dedicate resources accordingly. The Trustees and the IASB will also need to consider whether it would be appropriate for the IASB to address issues related to valuation standards, in light of the use of fair value and the desire for consistency in financial reporting.

6. The Trustees also strongly support efforts aimed at creating IFRSs for SMEs, because these SME standards could encourage the consistent adoption of IFRSs in the following ways. First, in the great majority of economies, SMEs account for 90 percent or more of incorporated companies. Many economies have cited the complexity of IFRSs as a reason for not adopting the standards, but recognize the potential benefit of the IFRSs for companies operating in the world's capital markets. The existence of IFRSs for SMEs, combined with full IFRSs for publicly accountable entities, enables a pragmatic approach for IFRS adoption for many. Second, in many countries, IFRSs are being applied for all companies, but there is some doubt of whether smaller companies are able to comply fully with full IFRSs. The provision of a separate set of standards should reduce the risk to the IFRS brand related to non-compliance. Finally, the emphasis on reduced complexity for SMEs should enable the IASB to focus on clarifying principles in the creation of new standards in the full body of standards.

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7 At the same time, the IASC Foundation should accept that there are practical limits to its mandate. Not-for-profit accounting and public sector accounting are two areas that the IASB's mandate does not cover, though the IASB maintains close contact with the International Public Sector Accounting Standards Board. There is a general sentiment that the current timing is not conducive to expanding the organization's mandate to include not-for-profit and public sector entities because of practical considerations (i.e. diversion of resources and focus and questions regarding the IASB's legitimacy). Some Trustees voiced concerns that IASC Foundation could lack the legitimacy to tackle not-for-profit and public sector issues without significant change in the organization's structure. The question of expanding the mandate to these areas should be part of the Constitution Review.

Elements for Achieving that Vision

8. The organization's structure and activities should be directed at achieving the vision described above. To endow its work with the necessary legitimacy in the long-term, the IASC Foundation's structure should be aimed at reinforcing the following elements:

- **Independent and publicly accountable:** The organization should maintain the independence of its decision-making process, while remaining accountable to the public interest primarily through a rigorous, transparent, and inclusive due process.
- **Truly global by coverage and deployment of resources:** The organization will need to have the appropriate structure, staffing, and deployment of resources to meet its global ambitions.
- **Protecting the IFRS brand:** The organization should take measures to protect the IFRS brand in order to ensure the consistent adoption and application of IFRSs.
- **Efficiently operating in a non-bureaucratic, professional environment:** The working procedures must be such that the IASB and IFRIC are able to respond to pressing accounting matters in a timely manner that adequately accounts for views of interested parties.

Independence with public accountability

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9. The structure of the organization should reinforce public confidence in the ability of the organization to set standards in the public's interest, while being responsive to the various interests of the market. The concept of independence of the decision-making process is fundamental to that end—investors and many parties who have interest in standard-setting want a set of standards that are not beholden to special interests. The independence of the standard-setting process has provided the confidence necessary to encourage a number of jurisdictions to adopt IFRSs. This has been a fundamental strength of the organization to date.

10. While the ultimate independence of the decision-making process of standard-setters is essential, there are constraints on independence. Unlike traditional national standard-setting bodies, the IASB has no authority to impose its standards on countries and is unique compared to all other international standard-setting activities, which are generally committees of national officials mandated to pursue a national interest, attending meetings on a few occasions annually and reaching compromise. The organization needs to maintain the trust and respect of those affected by standard-setting activities. The Trustees recognize that the IASC Foundation's unique structure makes demonstrating accountability more challenging than it would be for a national standard-setter, which normally reports to a national securities regulator or national parliaments.

11. In absence of a direct reporting line, the organization must create a new form of accountability that effectively simulates this accountability on an international basis in a manner which is not beholden to any particular jurisdiction. The organization could do so in two ways—first, by creating more formal reporting lines to official stakeholder organizations and, second, by emphasizing its commitment to serving the public interest in the development of accounting standards. An approach to the first point is described in more detail in the following paragraphs. The commitment to the public interest is demonstrated by the body's ability to produce accounting standards that provide increasing transparency and comparability, while taking into account the practical implications of the approach. Those affected by standard-setting should view IFRSs and their development as improving the operation of the global economy and capital markets.

12. In an effort to demonstrate clearer public accountability to interested parties, the Trustees are recommending the following strategy.

- **The establishment of formal reporting to official organizations:** In the absence of a single governmental oversight body, the Trustees should establish a link to a representative group of official organizations, including securities regulators. This

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body would also be involved in approving Trustee appointments, review of Trustee oversight activities, and discussing budget and financing matters.

- **A multi-layered, multi-faceted approach to accountability beyond the formal reporting mechanism:** The Trustees should identify key stakeholder groups with which the IASC Foundation should maintain regular contact and mechanisms for the Trustees to receive input outside formalized procedures. This would necessarily include mechanisms for meeting with official organizations and policymakers, national standard-setters, and private sector institutions. Furthermore, such accountability would require reconsideration of the role and structure of the Standards Advisory Council.
- **A mechanism for public input to the Trustees outside identified stakeholder groups:** The Trustees should establish mechanisms for input from interested parties who wish to provide comment regarding the IASC Foundation's and the IASB's processes and procedures.
- **A sustained, broad-based funding regime:** The Trustees should continue to work towards the establishment of a broad-based financing regime for those countries using IFRSs.

A formal reporting line to official organizations

13. In discussing the question of public accountability, the Trustees considered the possibility of formalizing the IASC Foundation status as an official international organization—presumably either by treaty or recognition by an existing organization (such as the United Nations, World Bank, etc.) or enhancing the existing framework. The Trustees believed that without broad international official support, establishing the IASC Foundation as an official organization would be challenging. It was noted that such recognition would likely have consequences on the organization's processes. Many of the Trustees did not prefer the option of seeking official recognition, but believed this discussion would merit further investigation and discussion with stakeholders. Such a discussion would inevitably need to consider the merits and practical considerations of a transformation into a formal international organization, including the impact on the organization's independence.

14. It is important that the Trustees address the issue of accountability as soon as possible. Questions of accountability arise primarily from the selection and reporting of the IASC Foundation Trustees, the role that the IASC Foundation plays in oversight, and the interaction

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of the organization at both the Trustee and IASB levels with different interested parties. Therefore, the Trustees should focus their efforts on creating some form of reporting mechanism to official organizations on an international basis.

15. As guardians of the public interest, the Trustees should be seen as experienced, qualified, and broadly representative of the public interest at stake. Commentators on the organization have not raised questions about the experience and qualifications of the Trustees, but have questioned the self-perpetuating nature of the Trustees. The Trustees recognizes that even though the organization has been highly successful in advancing towards its objective, these concerns over accountability are a challenge and could undermine the legitimacy of the Trustees' work. The Trustees have discussed two possibilities to remove this concern:

- **A representative constituent model:** Having a representative group of Trustees, where individual Trustees are selected by different constituent groups
- **An external review and approval mechanism:** Trustees would not be tied into specific groups, would be diverse according to different experience and geography, and would be approved by an external body before appointment.

16. The Trustees support the second approach—the external approval mechanism. The paper rejects the first possible approach for the following reasons. First, a representative model could only succeed if the Trustees were able to identify all of the relevant stakeholder groups. Disenchantment could arise from groups excluded and the legitimacy undermined, rather than reinforced.

17. On the other hand, the Trustees support the establishment of an external review and approval mechanism that would have ultimate responsibility for, but would not be limited to, Trustees' selection. Under such a regime, the Trustees and the IASC Foundation would manage the administration of nominations process for the Trustee appointments. The external group would have the ability to make recommendations of candidates and provide input on the process. Under the new system, the view of the external body could be binding. For public accountability, such an external group should be comprised of public officials who have a role in ensuring the adoption and implementation of IFRSs.

18. For such an external body to succeed, its membership should reflect the broad international interests at stake. It is possible that the group could evolve from and replace the existing Trustees Appointments Advisory Group. However, that particular group seems underweighted in market regulators. One possibility would be to have the following organizations represented:

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- **IOSCO for the securities regulators:** IOSCO could designate the following bodies—Chair of the Technical Committee and Emerging Markets Committee, US SEC, CESR or the European Commission, Japanese FSA, and two other securities commissions in countries using IFRSs.
- **Basel Committee of Banking Supervisors** (Possibly two)
- **International Association of Insurance Supervisors**
- **World Bank**
- **IMF**

The composition suggested above is only a recommendation and should be the subject of consultation.

19. Additionally, with such an officially recognized group established and recognized, the Trustees could use such a body to establish a form of official reporting on Trustee oversight activities. Specifically, the Trustees:

- Could meet and submit a report annually to this body. Such a report would include a discussion of how the Trustees are fulfilling their oversight role. This report would also focus on the effectiveness criteria that the Trustees have set in fulfilling their oversight role.
- Could use this external group to discuss and consider issues related to funding and financing, if a broad-based international scheme were enacted.
- Could develop a channel by which official organizations could provide input to the IASC Foundation's and the IASB's activities.

A multi-layered, multi-faceted approach to accountability

20. The establishment of a formal external mechanism for approving appointments and for reporting should address some issues related to public accountability, but the Trustees believe that the organization should continue to demonstrate that is responsive to a broader range of interests and parties in the development of IFRSs. The primary method of doing so is through the unrivalled transparency of the IASB's due process and the organization's emphasis on the need for active communication. Recent measures related to Trustee oversight, feedback statements, and impact assessments enhance the effort to assure public confidence in the standard-setting process.

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21. At the same time, the Trustees believe that articulating a strategy on stakeholder engagement will benefit the organization. The Trustees should identify key stakeholder groups with which the IASB Foundation should maintain regular contact and mechanisms for the Trustees to receive input outside formalized procedures. This would necessarily include mechanisms for meeting with official organizations and policymakers, national standard-setters, and private sector institutions. The paper recommends the following strategy:

- Establishment of regional accounting policy forums
- Enhanced relationships with accounting standard-setters
- Formalizing the roles of the preparer and user representative groups
- Restructuring the Standards Advisory Council using the group identified above
- Continuing to build an active communications program with official institutions and other interested parties

22. **Regional accounting policy forums:** It is worth noting that relationship with standard-setting bodies is a key element to ensuring legitimacy of the organization, because standard-setting bodies do have a recognized role in adopting jurisdictions. The adoption of IFRSs means that the role of the standard-setter is different, but in many jurisdictions remains important in the endorsement and/or adoption process. With limited resources, the IASB cannot possibly make contact with all parties in all countries. Using a well-recognized national body with a network of contacts is one way to gain allies and legitimacy.

23. Some have suggested that standard-setters, securities regulators, and the IASB should develop regional bodies, as already exists in Asia-Oceania. If widespread, the IASB would have a mechanism to receive input in a more formalized fashion. These regional accounting policy forums could play a role that the existing Standards Advisory Council is meant to play. In this light, the Trustees encourage and provide the necessary resources to establish regional forums (possibly the Americas; Europe and the Middle East; Africa; and Asia-Oceania).

24. **National or regional standard-setters:** National or regional standard-setters will be involved with the regional accounting policy forums, but the IASB recognizes the risk of the inevitable pressure that will arise to reduce the resourcing of national standard-setting bodies. The risk that the IASB faces is that with the emergence of IFRSs some will see little purpose of continuing to support standard-setters. In an ideal world, the IASB would strengthen the engagement with standard-setting bodies, because IASB has limited resources to interact with interested parties, and standard-setting bodies offer an efficient way for the IASB to receive input and to communicate with those affected by standards.

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25. In addition to continuing regional and world standard-setter meetings, the organization should enhance its communications efforts aimed at reaching accounting standard-setting bodies. The IASB should consider whether technology (such as message boards, regular conference calls, etc.) could be used to provide a regular feedback mechanism between standard-setting bodies and the IASB.

26. Any discussion of national standard-setters should address the IASB's relationship with the FASB. In the future if the IASB were successful in making IFRSs the unrivalled global standard, it is unlikely that the IASB will be able to sustain a "special relationship," where a uniquely US body has a place at the table, on an indefinite basis. Already European and Asian standard-setters have expressed disquiet with the perceived "undue" influence that FASB has the process. The current status is justified by the aims of the Memorandum of Understanding and is a pragmatic approach for bringing together two internally used sets of standards and winning the confidence of US market participants.

27. Therefore, the Trustees should begin the consideration of the post-MOU relationship with the US FASB. These discussions should include the US SEC, the Financial Accounting Foundation, and other US parties.

28. **Investor and preparer representative groups and accounting firms:** The IASB regularly meets with investor, preparer, and accountancy groups that have been established as a way to get practical information on proposals, strategy, and IFRS implementation. These groups should be formalized in the organization's structure, recognizing that these groups are to some extent performing the function that the SAC is expected to perform currently. If that were the case, the Trustees would need to review the composition of these groups to ensure that they were appropriately balanced.

29. **A restructured SAC:** The benefits of the SAC are twofold. First, the IASB and the SAC's members benefit from hearing a diversity of views on accounting matters before the IASB. Second, the members of the SAC serve as an important conduit of information to and from the IASB to different constituencies. In some cases, SAC members also encourage the adoption of IFRSs in their home countries. These roles are clearly laid out in the SAC's terms, but there is not necessarily a clear understanding of expectations. In appointing SAC members, the Trustees should highlight the SAC's mandate.

30. Furthermore, the Trustees should use the opportunity of linking the SAC to the multi-faceted, multi-layered approach above. The SAC members could be selected from the groups outlined above, which would provide appropriate geographic and regional distribution. There

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would need to be a Chairman of the body as there is now, with appropriate staff support. Such a body would convene possibly only once or twice annually.

31. To ensure effective feedback between the IASB and the SAC, there would be a need for joint involvement in developing the SAC's agendas. Furthermore, the IASB would need to provide clear feedback to the SAC.

Providing an opportunity for public input

32. It is clear that parliamentarians, regulators, and affected parties in IFRS-adopting countries or those countries consider the adoption of IFRSs will demand a sense that the IASC Foundation and the IASB is open to the general public. In addition to the steps described above, the Trustees and the IASB should adopt a methodology to address this concern in a manner that does not jeopardize the fundamental independence of the process. This paper recommends that the Trustees take the following steps—some of which are already in place—to ensure confidence in the accountability of the organization:

- Establish annual general meetings for the Trustees to report to the public and enable the public to express concerns. This could take the form of annual regional meetings in conjunction with Trustee meetings in a particular region or an annual one from London broadcasted over the Internet.
- Identify key stakeholders throughout the world with whom the Trustees, along with members of the IASB, should have contact and have a mechanism to receive input
- Use the evolving framework for interaction between the Trustees' Oversight Committee and the IASB as a way to account for views heard from interested parties
- Publicize the broad range of these activities to give a sense of organization that is responsive

33. Additionally, the Trustees should also continue to build upon mechanisms already established by the Procedures Committee to handle public complaints and concerns regarding the IASB's due process. This could include the formalization of a complaints review process.

Development of a fair, broad-based, and sustainable fundraising mechanism

34. The permanence of the IASC Foundation should be guaranteed by a funding system that reflects the diversity of users of IFRSs and is undertaken in a transparent and equitable fashion. This funding system should be arranged in such a way that does not compromise the

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independence of the IASB's decision-making process. The funding system should seek to finance all activities that are deemed to be essential to the setting of standards and their dissemination—the IASB, XBRL, education, and translations. If these activities were appropriately funded, then the IASB Foundation could consider disseminating its basic materials freely.

35. The new appointments and review body described above could be used to review an annual budget in order to gain official support. This body should also be used to explore ways to institute a fair system globally.

36. Many commentators have stated that they believe that system being developed for 2008 is only an interim, though positive, step to the objective described in the previous paragraph. The Trustees should explore whether levies could be established throughout the world based upon use of IFRSs. Consideration would need to be given to the distribution of funding (by country, company), the collection mechanism, and the means for approving budgets.

Building a truly global organization

37. To become the global standard-setter, the IASB Foundation/IASB must be perceived as a global organization in terms of composition of its people and its presence in markets throughout the world. Due consideration should be given to the selection of the Trustees, the IASB and staff.

Diversified personnel

38. **Trustees:** The Constitution already provides a geographical element to Trustee selection, and this paper does not contemplate any change in the current breakdown. The Trustees should formally allocate Trustee positions to Africa and Latin America, while providing some flexibility for at large positions.

39. **IASB:** Paragraph 20 of the current Constitution states, “The selection of members of the IASB shall not be based on geographical criteria, but the Trustees shall ensure that the IASB is not dominated by any particular constituency or geographical interest.” In practice, to ensure the right balance as contemplated in paragraph 21 of the Constitution, the Trustees do take account of geographical and other considerations. This reality should be formally recognized with a specific call for balance, while maintaining experience and expertise as the

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primary criteria. The Constitution could therefore state, “The selection of members of the IASB shall not be based on geographical criteria, but the Trustees shall ensure that the IASB **has a diversity of perspectives and** is not dominated by any particular constituency or geographical interest.”

40. There has been discussion among the Strategy Committee about the optimum size of the IASB. While a desire for operational effectiveness might lead some to consider to reducing the size of the IASB, reviewing different scenarios makes reducing the size look less feasible. For example, one possibility for a 14-member board could be four from Europe, four from North America, four from Asia-Oceania, and two from Africa, Middle East, or South America. Taking the case of Asia, one would assume the need for a member from China, India, Japan, and possibly Australia or New Zealand. Increasing Japan’s representation to two would require reducing the membership from North America or Europe, or eliminating Australian or New Zealand participation (both countries that have a well-developed profession and have led the push for IFRSs).

41. The Constitution Review should consider the practicality of reducing the size below 14 in light of the desire to maintain broad contact and understanding with a global constituency. The Trustees will also inevitably need to consider where to deploy IASB members.

42. **Staffing:** The IASC Foundation/IASB staff is already a multinational staff. The staff already comes from 19 different countries. However, the organization should have a policy that seeks a diversity of experiences. The staffing structure on the technical staff side approved in April should form the basis of a sustainable model. Further work should be done on bolstering and rationalizing the reporting lines on the IASC Foundation side.

43. In April 2007, the Trustees approved a plan aimed at bolstering the numbers of the technical staff. This plan established more resources for staff at junior levels, while enabling senior staff to spend more time in a supervisory role. For the coming two years, such a strategy should be sufficient.

44. In the long term, the IASC/Foundation will probably need to build its staff resources in order to manage the liaison described above and to allocate resources to longer term planning not directly associated with the IASB’s current agenda. For example, the Trustees may need to consider whether the organization requires staff available for general research (not project-specific work) and staff with high technical qualifications to manage regional offices.

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Protecting the IFRS brand

45. The IASC Foundation and the world's economy will only achieve the full benefits of a common set of accounting standards if IFRSs are applied consistently throughout the world. The following steps should be taken to achieve this consistency:

- Emphasizing IFRIC is the authoritative voice for IFRS interpretations
- Establishing IFRSs as the key brand at the IASB and the IASC Foundation and implementing communications practices aimed at reinforcing the brand (such as the use of logos, organizational names, presentations, etc.)
- Working with IOSCO and the IAASB to ensure that there is a statement of full compliance with IFRSs in either the auditor's report or financial statements
- A public survey to be conducted on a regular basis, with the cooperation of the IASC Foundation, that identifies countries where the accounting standards do not comply with full IFRSs. This survey could be undertaken by organizations such as the World Bank or the major accounting firms, all of which have access to the relevant information already.
- A well-resourced translation process to ensure that high-quality translations of IFRSs are available
- Establishment and maintenance of a high-quality XBRL IFRS taxonomy
- Protection of IFRSs copyright, as appropriate, to limit the cases of unauthorized (and likely inconsistent) use of IFRSs

Operating in a non-bureaucratic, professional environment

46. The organization's operating procedures, particularly those of the IASB, should be aimed at developing accounting standards that are high-quality (see paragraph 3) and garner respect in the marketplace so that they are adopted throughout the world. The organization should recognize that the current standard-setting framework provides a high degree of transparency, offers a number of opportunities for input, and has succeeded in developing standards that are broadly embraced.

47. This paper examines how the IASB can build on this success. In examining its processes, the IASB should focus on ways that it could better achieve support for its proposals, without compromising quality. In doing so, the following should be examined:

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- Existing working processes
- The use of working groups
- Evaluation of the IASB's performance and incentives to reach successful outcomes

48. **Existing working processes:** While that IASB's working procedures are aimed at technical quality, they are not well suited for considering the acceptability of proposals. This is not to dismiss the need for discussion papers, exposure drafts, and other field research, but is a call to examine whether the process that the IASB develops its discussion papers and exposure drafts is suitable for the environment in which the IASB operates.

49. Upon formation, the IASB adopted the working procedures used at the US FASB. This made sense, because the FASB was a well-established body with significant experience. However, the IASB's experience showed that dissecting parts of a project to a single issue sometimes inhibited the IASB from taking a more holistic view of its approach and potential workability.

50. It was noted that any changes in the working procedures would need to account for the ongoing relationship with the FASB and that significant change may not be possible in the near-term. It is also uncertain whether an alternative model to the one that currently exists would be practical. Any discussion on work processes should involve discussions with the IASB regarding the suitability and practicality of any alternative approach.

51. **Working Groups:** One way to build support and gain practical experience is through the continued use of working groups. The IASB's policy is to create working groups on each major project, and this should not change.

52. **Encouraging a balanced approach through IASB performance evaluations:** The Trustees recognized that they should not and cannot participate in the technical standard-setting process, but their influence in the process relates to the selection of IASB and defining the IASB's performance criteria. Both areas are within the Trustee's Constitutional remit. The Constitution currently lays out eight criteria for the selection of IASB, but the emphasis has been on technical qualities. A "balanced scorecard" based upon the existing eight requirements has been developed, and the Nominating Committee should assess how this scorecard worked.

53. The Trustees should continue to consider ways to use the information from these evaluations. For example, performance related to those criteria could be used to evaluate reappointments. The Trustees may also wish to consider whether the length of terms should

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be varied as well. Some have suggested that members of the Nominating Committee could meet individually with IASB members to discuss results.

Conclusion

54. The progress of the organization during the past six years towards the ultimate objective has passed almost all reasonable expectations. The success has raised the profile of the organization considerably and heightened expectations on the role that IFRSs could be play in a world where capital markets are increasingly integrated. This paper concludes that the overall structure of the IASC Foundation is sound, but enhancements could be made in several areas to increase the likelihood of success. The steps outlined above should go a long way to ensuring that IFRSs are someday recognized as **the unrivaled global standard for financial reporting.**