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Comments on IFRS Foundation Monitoring Board Consultative Report on the Review of the IFRS Foundation's Governance

Dear Sirs,

COOPERATIVES EUROPE welcomes the opportunity to give its views on the Monitoring Board Report on Governance Review.

COOPERATIVES EUROPE is the European cross-sector business organisation for Cooperative Enterprises. It is recognised by the EU institutions. With its 250 000 enterprises, it promotes, defends, supports and develops the co-operative enterprise model across Europe and provides services to its members who represent 160 million cooperators.

Preliminary remarks

We took note that the Monitoring Board is looking to receive comments primarily focusing on institutional aspects of governance, particularly the composition and the respective roles and responsibilities of the Monitoring Board, Trustees and IASB.

The fundamental question for the review is whether the current governance structure effectively promotes the standard-setter's primary mission of setting high quality, globally accepted standards as set forth in the Constitution of the IFRS Foundation, and whether the standard-setter is appropriately independent yet accountable.

While co-operatives are fully private entities competing in the market, they have their own business model and specificities. Therefore, since IFRSs are designed for all types of companies, a high standards setting process should also allow the maintenance of differences among business models (i.e. cooperatives, partnerships etc.) and taking into account their accounting issues.

Stakeholders often point out the overall complexity of the IFRSs, which are designed for listed companies. Therefore, IFRS are not suitable for all unlisted small and medium sized businesses. In general, when developing standards for SMEs, specific needs of users and preparers of SMEs financial statements regarding the details and complexity have to be closely considered. We think that improvements have to be made in this respect.

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Monitoring Board

We consider that the governance role of the Monitoring Board should consist of designing the mission, fundamental structure, composition and due process of the IFRS Foundation and overseeing that it is functioning as anticipated.

To achieve a high quality globally accepted accounting standards, the Monitoring Board should be an independent structure outside the IFRS Foundation.

In this respect, we support improving the composition of the Monitoring Board and we therefore agree with the recommendation to expand the membership to include more capital markets authorities.

However, we think as well that the Monitoring Board should not be only limited to public authorities responsible for setting financial reporting in capital markets. While we recognise that it might not be possible to remove all differences between financial reporting and regulatory requirements, we believe that the IASB and supervisors should work in close cooperation in order to align as far as possible reporting requirements. Therefore, We suggest extending the composition of the Monitoring Board to regulators (i.e. Basel Committee).

Trustees

The Trustees should continue their assessment of the IFRS Interpretation Committee. They should ensure that the appointment procedure of the Board's members is transparent and due account is taken of the interest of various interest groups.

In this respect, we also agree that it should continue to review the diversity of geographical and professional background of the Trustees so as to provide for objectivity and impartiality of the decision-making process.

Moreover, we would recommend the Trustees to develop its oversight activities further and communicate appropriately on the process and outcome of that oversight to its stakeholders.

IASB Board

Cooperatives Europe support that the Monitoring Board recommends the IASB to undertake further concrete efforts to improve identification of qualified candidate ensuring that the IASB Board membership included more diverse geographical and professional backgrounds. We believe that enhancing the geographical and sector balance within the IASB would calm concerns on legitimacy and provide more credibility to the standards setter.

Most important, we consider that the Board members should stem from countries where IFRS are the set of accounting standards mandatory applied by companies. In this respect, we question the limited membership of the European participants (four members out of sixteen) while the European Union is currently requiring all its publicly traded companies to report under IFRS standards.

Furthermore, as co-operatives, we think it is of primary importance that Board composition reflects a wide-ranging knowledge of various economic models and environment of companies, which would apply the IFRSs. Therefore, we would strongly appreciate that some Board members have a relevant and recent enough knowledge and experience in cooperative businesses. Moreover, should the IASB continue to develop IFRS for SMEs, the Monitoring Board has to guarantee that some Board members have a relevant experience and knowledge small and medium sized businesses specific needs especially regarding appropriate complexity and details.

IASB Agenda

COOPERATIVES Europe considers that the IASB's technical agenda-setting could be more consultative. For instance, we would welcome that the IASB begins its deliberations on the future agenda by launching an annual public consultation process as requested by many other constituents.

Therefore, we think it is relevant to involve the Monitoring Board in the IASB agenda setting. In this respect, we would recommend the Monitoring Board to validate the IASB work program and timetable, notably by adding new items or withdrawing projects according to responses received from the constituents related to the annually consultation of the IASB agenda.

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Standard-setting process

EACB supports the steps made by the IFRS Foundation to allow stakeholders to express their views during the IABS standard-setting process. However, we think that there is room for improvements to allow stakeholders to express better their views during the standard-setting process.

We would warmly recommend the introduction of impact assessments prior to the issuance of Exposure Drafts and post-implementation, giving greater consideration of the number of amendments that users and preparers of financial information can reasonably absorb within certain timeframes.

In addition, it has to be made sure that the IASB agenda is not as congested as it has been recently. Generally, we think that there should never be a rush when reviewing/adopting IFRSs. Moreover, we fear that standards finalised under heavy time pressure may give rise to more changes in the later period either by IFRS interpretations or revisions of the standards.

In this respect, we think that the Monitoring Board should carry out the control of the quality and the relevance of the standards at each step of the due process in order to achieve a high quality globally accepted accounting standards. The review of the quality of the standards should be performed especially with regard to the objectives of changes previously justified. To achieve this goal, the independence of the Monitoring Board has to be ensured.

Agnès Mathis

COOPERATIVES EUROPE trusts that its comments will be taken into account. For further information or questions on this paper, please contact:

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