

Memorandum – Standard-setting Governance and Oversight

From: European Investors and VEB (Dutch Investors' Association)

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To: Monitoring Group

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Copy: Paul Koster, director VEB

Re: VEB submission on Consultation Governance and Oversight

Date: 12 February 2018

European Investors/VEB ('European Investors') chooses to confine its contribution to the consultation to this memo only. European Investors finds that furnishing detailed replies to the complete array of questions and issues as raised by the consultation, distracts from the bear essence.

European Investors is particularly concerned about the lack of urgency in addressing legitimacy and credibility of the audit profession. The profession urgently has to adapt to the key challenges posed by a radically changing outside world. The audit profession is in no position to put off this adaptation any longer. European Investors suggests that the current reform process risks distracting from this key concern. Overanalyses leads to paralysis.

Only the third (and last) from the three main drivers for the reform process outlined in the consultation, is the requirement of *relevance and timeliness* of standards. European Investors regrets, however, that this requirement appears to take the backseat while undue influence of the audit profession and inadequately serving the public interest take precedence. The consultation emphasises throughout that 'the main purpose for the options for reform is to ensure that standard-setting serves the public interest.' European Investors finds that relevance and timeliness are the single most important threat to the profession by far. Whereas new technologies, climate change, the sharing economy and digitalisation disrupt the economy and confront companies with volatile business environments, above anything else, the audit profession must adapt to face this new environment.

Moreover, European Investors fears that the current reform process is at risk of not being able to deliver on its projected timelines. The Monitoring Board's current reform process is explicitly predicated on better getting to grips with the notion of public interest. European Investors would note, in that respect, that the Monitoring Group has commissioned the PIOB to develop a 'Framework for the Public Interest', which framework shall be at the very heart of any reformed standard-setting process. The Monitoring Group has asked this work to be completed for its review and approval of a draft for public consultation. As European Investors understands it, this framework will not be put out for consultation before somewhere in June 2018. Combine this with the announcement that the Monitoring Group will subject the *final* proposals on the all-encompassing reform package, together with the transition plan and impact assessment, to public consultation, such consultation also to be expected around the summer of 2018, it appears to European Investors that the timelines for and planning of the reform process within the present consultation are ambitious at best. Equally, it may not be excluded that the landscape yet undergoes more drastic changes between now and June 2018 as a consequence of the disclosure of the Framework for the Public Interest, since The Monitoring Board identifies that there is legitimate doubt on the standard-setting process's responsiveness to the public interest.