

Organismo Italiano di Contabilità – OIC
(The Italian Standard Setter)
Italy, 00187 Roma, Via Poli 29
Tel. 0039/06/6976681 fax 0039/06/69766830
e-mail: presidenza@fondazioneoic.it

Michel Prada
Chairman
IFRS Foundation
30 Cannon Street
London, EC4M 6XH
United Kingdom
commentletters@ifrs.org

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Re: *ED Proposed amendments to the IFRS Foundation Constitution*

Dear Michel,

We are pleased to have the opportunity to provide our comments on the *ED Proposed amendments to the IFRS Foundation Constitution*.

Generally, we are supportive of most of the proposed amendments. However, some concerns still remain, in particular, about the membership of the bodies of the IFRS Foundation. In the following, we provide our main comments on the proposals.

Moreover, although the Trustees have not asked for input on any other issues, we would like to raise a consideration about the IFRS Interpretation Committee.

Geographical distribution of the Trustees (Proposal 1)

We are in favour to reduce by one the number of members from North America and South America, combining these areas into a single 'Americas' category.

However, although the participation of everybody is important in order to ensure the representation of the world's capital markets, in our view jurisdictions that adopt IFRSs or are clearly committed to adopt them as well as financially contribute on a permanent basis should be prominently represented. This because these jurisdictions have a strong interest in the activity of the IFRS Foundation in order to have high-quality standards, having

delegated to the Foundation, totally or partly, their standard-setting activity. The proposal is not sufficient to ensure that. Indeed, Europe continues to be under-represented, while it is one of the main jurisdictions applying IFRSs, if we consider its market capitalisation and number of IFRSs adopters, as well as the main contributor. The increasing of the “at large” appointments should be used to realise an adequate balance.

Size and geographical distribution of the Board (Proposals 5 and 7)

We continue to disagree with the proposed reduction of the IASB from 16 to 13 members (or 14). We are not convinced that the benefits expected from this reduction, such as, easier interactions or greater participation, will be realised while instead it could compromise the quality of the standard-setting. It could impact on the need to have a balanced composition in terms of nationality, professional background and experience as well as on the work carried out by Board members’, included outreach events and other communication initiatives. We observe that the cost saving is an important issue, but if the proposed reduction in the size of the Board is mainly justified by cost saving it is not acceptable. A global standard setter, before arriving to reduce the size of its technical body, should take into account other areas or solutions that can contribute to reduce the expenses.

Furthermore, in our view, the IASB should be mainly composed of members coming from jurisdictions which adopt IFRSs and, thus, with a relevant experience in the application of IFRSs.

Instead, the proposal does not reach this objective. Indeed the European seats are not increased, as we expected in the light of the strong European commitment to IFRSs. Furthermore, proposing the elimination of the “at large” category, the Chair should be attributed to one of the regions. In this regards, we would prefer that the appointment of the Chair continues to be included in the “at large” category, and eventually also the Vice-chair, given their leadership role.

Terms of reappointment of the Board (Proposal 8)

As already commented in previous consultations, we were not in favour to extend the maximum length of service to ten years. We understand that the renewal up to five years, instead of three, will be made only in exceptional circumstances. However, for transparency it would have been appropriate if the procedures developed by the Trustees for such renewals and clarifications of these exceptional circumstances had been known together with the proposal to extend the length of service.

IFRS Interpretation Committee

First of all, we believe that the observation about the composition of Board is even more important for the IFRS Interpretation Committee (IFRS IC), because given its role to deal with implementation issues, the debate in the Committee should exclusively be among members coming from countries that apply IFRSs and therefore with a strong experience in the implementation of the standards.

The mission of the IFRS IC is to solve implementation issues, providing a timely, and therefore useful, response to constituents, so ensuring consistent application of IFRSs. We acknowledge that there are issues which cannot be solved quickly and that require thorough analysis, investigation and discussion, however the IFRS IC decision to not deal with an

issue, leaving the issue unresolved, results in uncertainty among its constituents that have to apply the standard anyway, compromising finally the consistent application.

In this regard, considering the interest both the IFRS Foundation and IFRS adopters to improve the efficiency of the process, an involvement of National standard setters could be envisaged in order to help the IFRS Foundation to find interpretative solutions.

As OIC, we are ready to assist the Foundation and to provide our contribution to identify the best way to proceed.

If you have any queries concerning our comments, please do not hesitate to contact us.

Yours sincerely,
Angelo Casò
(OIC Chairman)