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**Chairman**  
**n° 60**

Paris, 24<sup>th</sup> February 2011

**IFRS Foundation**  
**To the Trustees**  
**30 Cannon Street**  
**London, EC4M 6XH**  
**United Kingdom**

Re : IFRS Foundation Strategy Review

Dear Sirs,

The ANC welcomes the IFRS Foundation's Strategy Review as a timely and well needed exercise for future success and acceptance of IFRS.

The ANC notes that the Monitoring Board has also issued its own Consultative Report on the Review of the IFRS Foundation's Governance on 7<sup>th</sup> February 2011 with a two month comment period. We are sending herewith a synthetic document that serves the purpose of stating key positions in response to your consultation as well as to the Monitoring Board's own report. Of course, we reserve the right to complement our response before the deadline set by the Monitoring Board for responding to its own consultation. This document incorporates the results of wide and numerous consultations in France and beyond and has been approved by the Collège of the ANC.

The Trustee's consultation document impressed us greatly in as much as it candidly raised issues going beyond strict institutional or process arrangements, namely about the very mission of the IFRS Foundation. Indeed, after more than five years of implementation of IFRS, we feel it is more than necessary to address such topics. IFRS have undoubtedly led to the emergence of a common language for financial market stakeholders; in the same time, although it proved very resilient in some areas, the crisis revealed that its focus had probably too significantly shifted away from prudence.

Recent proposals for new standards remain a cause for serious concern. IFRS 9 on classification of financial instruments has not yet clearly circumscribed those trading instruments that can be valued at market value in all safety for the financial markets. Proposals on revenue recognition and leases, which do not respond to a clear need, will impact all entities applying IFRS with new and untested concepts. Proposals on insurance accounting do not currently reflect the industry's business model. In general all the proposals need to be revisited to ascertain: if they respond to actual needs of stakeholders; if the concept is clear; if they reflect or affect business models and why; and then to field test the standards - as is done in comparable areas like, for example, in prudential regulation where Basel 3 and Solvency 2 are being tested for years before implementation.

Overall, changes in the governance of the IASB, as asked for by the consultation, would be useful and are detailed in the document attached.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Haas', with a stylized flourish extending to the left.

Jérôme HAAS

## **REFORM THE GOVERNANCE OF THE IASB : EMBRACE PUBLIC INTEREST ACROSS THE BOARD**

The Monitoring Board has tasked a group to work on the reform of the IASB governance on the basis of a *wide mandate*; the Trustees of the IASB have launched a consultation process on the same matter. The time schedule is however extremely and unusually tight for such far-reaching exercise.

The key word for this reform should be “public interest”, as suggested by the Trustees. It could further be complemented by “accountability”. It implies the following direct and concrete consequences.

### **1. Mission : embrace other than accounting objectives**

- Decisions should be made in accordance with public interest, i.e. consistent with non-accounting considerations and issues, including avoiding excessive risk-taking, like all other standard-setters and regulators in the G 20 ;
- The users of accounts are investors *and* all other stakeholders, starting with companies themselves, whose business model should be given a true and fair view in the accounts; this and the preceding point may imply changes in the Constitution and conceptual framework (which should be simplified);
- IFRS need to be principles-based and applicable in different legal environments.

### **2. Oversight structure : establish actual checks and balances**

- Whether the structure includes two or three tiers is less crucial than the need for a proper oversight function :
  - o performed by high-level individuals representing financial contributors, including supervisors and standard-setters, representatives of the private sector, all of diverse opinions and perspectives, and all such that they can be perceived as credible guarantors of public interest - like in all standard setter bodies' Boards around the world,
  - o including the transparent nomination of Board members, the supervision of the agenda, finance for the institution, consistency of standards and their implementation.

### **3. IASB : focus on IFRS adopters, ensure diversity of minds**

- Most critical is the Board, holding independent decision power. Board members should have:
  - . an effective and substantial experience in application of IFRS;
  - . wide ranging knowledge of economic models and environment of companies that the accounts are indeed supposed to reflect;
  - . a larger proportion of part time members, like in all standard setter bodies' Boards around the world and a higher proportion of supervisors.

Like oversee-ers mentioned in 2 above, Board members should stem from countries where IFRS are the set of accounting standards legally applied by listed companies. Others should not have the same voting rights, which would be an incentive for adoption.

### **4. Process : do not impose standards, ask and test first**

- The agenda needs to be set and frequently updated in accordance with actual needs expressed by stakeholders actually applying the standards in full ;
- Impact assessments describing the effects of accounting standards on the economy and field-tests should be carried out in order to achieve greater transparency and robustness of the choices made; of course, post-implementation reviews should regularly verify that accounting standards do not have any unintended effects on the economy.

Process issues are important; they are however only relevant if the governance evolves as suggested above, so that it guarantees that the procedural changes will be effected in the appropriate spirit.

### **5. Financing : pay for independent, public interest and accountable standard setting**

- All jurisdictions applying IFRS should finance the IASB, at a level commensurate with its actual tasks.
- Financing should be provided, by all relevant stakeholders applying IFRS, through national public mechanisms; they should be represented in the governance.