



September 19, 2016

IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

**RE: Exposure Draft – Trustees’ Review of Structure and Effectiveness:
Proposed Amendments to the IFRS Foundation Constitution**

Dear Foundation Members,

The “Group of Latin American Accounting Standard Setters”¹ – GLASS welcomes the opportunity to comment on the Exposure Draft – Trustees’ Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution (the “ED”).

Due Process

The discussions regarding the ED were held within the Board of Directors of GLASS.

The Board discussed the different points of view and prepared a final document based on the consensus reached and the points of view of all members.

Overall comments

The main impact of the ED that we have detected is the elimination of the geographical representation for South America, both in the designation of Trustees and in the designation of IASB Board members.

If the objective is to combine North America and South America into a single geographical region, we believe that for practical purposes this could result in the loss of the current representation of South America (both within the Trustees and on the IASB Board), due to the priority frequently assigned to the representatives of North America (the United States and Canada).

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Board), Bolivia, Brazil (Vice Chairman), Chile, Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico (Chairman), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).



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The concern expressed by the Trustees with respect to confusion as to whether Mexico and the countries of Central America should be included or not in South America would not exist if South America were replaced by Latin America.

The relative importance of the capital markets around the world would show that Latin America is relatively insignificant. However, when one considers the countries that have adopted IFRS and the number of interest groups that use financial statements from our region, Latin America takes on much greater importance that far exceeds the single representation it currently has.

Almost all Latin American countries have recently adopted, or are in the process of adopting, full IFRS or the IFRS for SMEs, as a result of which we believe the IFRS Foundation should take the necessary steps to ensure the adequate representation of our geographic region.

Consequently, we do not agree with the proposed changes in the geographical distribution of the Trustees or the members of the IASB, as we believe they damage and weaken the current representation of Latin America.

Specific comments

Attached you will find our specific comments on the proposals included in the ED.

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Felipe Pérez Cervantes'.

Felipe Pérez Cervantes
Chairman
Group of Latin American Accounting Standard Setters (GLASS)



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Attachment

GLASS comment letter on the Trustees' Review of Structure and Effectiveness: Proposed Amendments to the IFRS Foundation Constitution

Proposal 1: Geographical distribution of the Trustees – Section 6 of the Constitution

The Trustees have proposed:

The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:

- (a) six Trustees appointed from the Asia/Oceania region;
- (b) six Trustees appointed from Europe;
- (c) six Trustees appointed from the North Americas;
- (d) one Trustee appointed from Africa; and
- (e) ~~one Trustee appointed from South America~~; three ~~two~~ Trustees appointed from any area, subject to maintaining overall geographical balance.
- (f) _____

The objective of this change is to replace 6 members proposed for North America and one proposed for South America, with only 6 members for the Americas. The member eliminated from this region is to be appointed from “any area”.

The Trustees explain that the geographical allocation of Trustees must be representative of:

- a. The world's capital markets; and
- b. Ensure a broad international base.

They also indicate that this will ensure that, for each of the geographical regions specified, there shall be a reasonable spread of jurisdictions from which the members originate.

Although representation based on the capital markets of the world may show that Latin America has limited representation, taking into account the number of countries of the region that have adopted and apply full IFRS and the IFRS for SMEs and the number of interest groups that must understand these standards, even with the current distribution of 7 total Trustees for the Americas the “broad international base” criteria is not met.



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Accordingly, we do not agree with the proposed reduction from 7 to 6 total Trustees for the Americas and believe that at least one Trustee should be appointed from Latin America.

As for the geographic regions we propose:

- a) North America, and
- b) Latin America.

The latter region (which coincides with the regional standard-setting group we represent) also resolves any confusion around where Mexico and Central American countries are classified.

In summary, we propose:

- a) Separating the Americas into North America and Latin America;
- b) Maintaining the appointment of a Trustee from Latin America; and
- c) Including a phrase in the Constitution that states the following: The Trustees will ensure that for each of the specified geographic regions, a reasonable spectrum of jurisdictions from which its members come should be represented.

Proposal 2: the professional background of the Trustees – Section 7 of the Constitution

The Trustees have proposed:

The Trustees shall comprise individuals that, as a group, provide an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and officials serving the public interest. ~~Normally, two of the Trustees shall be senior partners of prominent international accounting firms.~~

We agree.

Proposal 3: the remuneration of the Trustees – Section 11 of the Constitution

The Trustees have proposed:

The Trustees shall meet at least twice each year and shall be remunerated by the IFRS Foundation with an annual fee ~~and a per-meeting fee~~, commensurate with the responsibilities assumed, such fees to be determined by the Trustees. Expenses of travel on IFRS Foundation business shall be met by the IFRS Foundation.



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GLASS believes that the current form of remuneration better reflects the efforts and responsibilities of each Trustee, especially as it relates to meeting attendance. Therefore, we recommend not making this change.

Proposal 4: focus and frequency of reviews of structure and effectiveness of the IFRS Foundation – Section 17 of the *Constitution*

The Trustees have proposed:

- 17 The accountability of the Trustees shall be ensured inter alia through:
- (a) a commitment made by each Trustee to act in the public interest;
 - (b) their commitment to report to and engage with the Monitoring Board according to the terms described in sections 18–23; and
 - (c) their undertaking a review of the strategy ~~entire structure~~ of the IFRS Foundation and its effectiveness, such review to include consideration of the structure of the organisation (if appropriate) and changing the geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment, ~~the review beginning three years after the coming into force of this Constitution, with the objective of implementing any agreed changes five years after the coming into force of this Constitution; and their undertaking a similar review subsequently~~ at the latest every five years after the conclusion of the previous review.
 - (d)

We agree.

Proposal 5: the size of the Board – Section 24 of the *Constitution*

The Trustees have proposed:

The IASB shall normally comprise ~~fourteen~~ thirteen members, but the Trustees shall have the discretion to appoint a fourteenth member if they deem it appropriate increasing to sixteen members at a date no later than 1 July 2012.

GLASS believes that establishing a specific number of IASB members ensures predictability for its members and for the interest groups associated with the IASB.



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We do not believe it is appropriate that the number of Board members should depend on the discretion of the Trustees. Fewer options results in improved functionality of the Board.

GLASS believes that to ensure the appointment of a representative from Latin America, the Board should have 14 members.

Proposal 6: professional background of the Board – Sections 25 and 27 of the Constitution

The Trustees have proposed:

Section 25

The main qualifications for membership of the IASB shall be professional competence and recent relevant professional ~~practical~~ experience. The Trustees shall select members of the IASB, consistently with the Criteria for IASB members set out in the Annex to the Constitution, so that it will comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience including auditors, preparers, users, academics and market and/or financial regulators in order to ~~to~~ that the IASB as a group can contribute to the development of high quality, global financial reporting standards. The members of the IASB shall be required to commit themselves formally to acting in the public interest in all matters. No individual shall be both a Trustee and an IASB member at the same time.

~~Section 27~~

~~The Trustees shall select IASB members so that the IASB as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics.~~

We agree.

Proposal 7: geographical distribution of the Board – Section 26 of the Constitution

The Trustees have proposed:

In a manner consistent with the Criteria for IASB members as set out in the Annex to the Constitution and in order to ensure a broad international basis, there shall normally be, ~~by 1 July 2012:~~

- (a) four members from the Asia/Oceania region;



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- (b) four members from Europe;
- (c) four members from the North Americas;
- (d) one member from Africa; and
- (e) ~~one member from South America~~; at times when the Board comprises fourteen members, one ~~two~~ members appointed from any area, subject to maintaining overall geographical balance.

The work of the IASB shall not be invalidated by its failure at any time to have a full complement of members according to the above geographical allocation, although the Trustees shall use their best endeavours to achieve the geographical allocation.

The objective of this proposed change is to replace 4 proposed members for North America and one for South America with only 4 total members for the Americas.

Once again, the member eliminated from this region is to be appointed from “any area”.

The Trustees explain that the geographical allocation of Board members must be representative of:

- The world’s capital markets; and
- Ensure a broad international base.

Taking into account the number of countries of the region that have adopted and apply full IFRS and the IFRS for SMEs and the number of interest groups that must understand these standards, to ensure a broad international base on the Board, Latin America must be adequately represented, which even with the current distribution of one Board member from South America is not achieved.

Accordingly, we do not agree with the proposed elimination of a Board member from Latin America and believe there should be at least one such member.

As for the geographic regions we propose:

- North America, and
- Latin America.

The latter region (which coincides with the regional standard-setting group we represent) also resolves any confusion around where Mexico and Central American countries are classified.



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In summary, we propose:

- Separating the Americas into North America and Latin America;
- Maintaining the appointment of a Board member from Latin America; and
- Including a phrase in the Constitution that states the following: The Trustees will ensure that for each of the specified geographic regions, a reasonable spectrum of jurisdictions from which IASB members come should be represented;
- Establishing a fixed number of 14 Board members.

Proposal 8: terms of reappointment of the Board – Section 31 of the Constitution

The Trustees have proposed:

Members of the IASB appointed before 2 July 2009 shall be appointed for a term of five years, renewable once for a further term of five years. Members of the IASB appointed after 2 July 2009 shall be appointed initially for a term of five years. Terms are may be renewable ~~once~~ for a further term of three years, with the possibility of renewal up to a maximum of five years, in line with procedures developed by the Trustees for such renewals. ~~exception of the Chair and a Vice-Chair. The Chair and a Vice-Chair may serve a second term of five years, but The terms may not exceed ten years in total length of service as a member of the IASB.~~

GLASS believes that Board members should initially be appointed for a term of five years with subsequent evaluation of renewal (if the member is so interested).

We see no benefit of establishing three alternatives:

- a) Only five years;
- b) Five years with a three-year renewal; or
- c) Five years with a five-year renewal.

And accordingly we propose for all Board members (including the Chair and Vice Chair):

- a) Only five years;
- b) Five years with a five-year renewal.

Proposal 9: voting requirements for the Board – Section 36 of the Constitution

The Trustees have proposed:



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The publication of an exposure draft, or an IFRS (including an International Accounting Standard or an Interpretation of the Interpretations Committee) shall require approval by ~~nine~~ eight members of the IASB, if there are fewer than ~~sixteen~~ thirteen members or by ~~ten~~ nine members if there are ~~sixteen~~ thirteen or fourteen members. Other decisions of the IASB, including the publication of a discussion paper, shall require a simple majority of the members of the IASB present at a meeting that is attended by at least 60 per cent of the members of the IASB, in person or by telecommunications.

GLASS proposes maintaining a fixed number of 14 Board members.

Accordingly, we propose:

- a) If there are less than 14 members, approval by 8 members is required;
- b) If there are 14 members, approval by 9 members is required.

It is not clear in Section 36 when referring to “less than 14 members” if that refers to all members of the Board or only to those members in attendance at the meeting.

Proposal 10: meetings of the IFRS Advisory Council – Section 46 of the Constitution

The Trustees have proposed:

The Advisory Council shall normally meet at least ~~three~~ two times a year.

We agree.