

30 November 2015

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

**Comment Letter on the Request for Views on the Trustees' review of Structure and Effectiveness: Issues for the Review**

Dear Sir/Madam,

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 61 Swiss groups, including most of the country's major industrial and commercial enterprises. We very much welcome the opportunity to provide comments to this Request for Views. Our response (in the appendix) has been prepared in conjunction with our member companies.

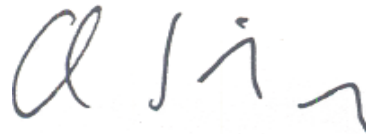
Yours sincerely

**SwissHoldings**

Federation of Industrial and Service Groups in Switzerland



Felix R. Ehrat  
Chair



Christian Stiefel  
Director

cc SH Board

## APPENDIX

### ANSWERS TO SPECIFIC QUESTIONS IN INVITATION TO COMMENT

#### Question 1

*Considering the consequences referred to above, what are your views on whether the IASB should extend its remit beyond the current focus of the organisation to develop Standards; in particular for entities in the private, not-for-profit sector?*

We agree that it is extremely important that the relevance of IFRS is maintained. We consider that more could be done to ensure this and disagree with some of the positions outlined in this document.

#### Use of IFRS for SMEs for publicly quoted entities

Whilst we understand the concern that the IASB has concerning allowing use of *IFRS for SMEs* to be used for publicly quoted entities we nevertheless disagree that this framework should not be allowed for publicly quoted entities for the following reasons:

- We consider that it is for the stock exchange regulators to determine what the appropriate accounting framework should be for entities quoted on a particular stock exchange. In many countries there are several types of exchange which cater for entities at different stages of development e.g. large international companies; small start-up entities or companies with primarily a local focus.
  - Switzerland is a case in point, where quoted entities on the main stock exchange and which form part of its indices the SMI or SPI, are divided into “international” and “domestic” entities. “International” companies can utilize either IFRS or US GAAP and, in addition to those two options, “domestic” entities can use the Swiss standard, “Swiss GAAP FER” (primarily designed for SMEs). Switzerland has one of the largest stock exchanges by market capitalization in the world and having a choice of multiple accounting standards to choose from for reporting purposes is not considered a particular issue by investors or analysts. Indeed, there is an increasing trend for smaller Swiss companies to move to the “domestic” part of the exchange so as to be able to make use of “Swiss GAAP FER”.
  - We therefore consider that it should be left to local stock exchange regulators to decide whether or not they wish to allow *IFRS for SMEs* to be used for some of their publicly traded entities. We consider that this would considerably ease the burden and costs of preparing their financial statements for these smaller entities and would potentially enhance and not diminish the standing of IFRS as it would demonstrate that the IASB is actively listening to its constituents. We consider that instead of rejecting this alternative the IASB should embrace it by specifying how the two IFRS standards should be labelled so that any confusion about the standards used can be minimized.
  - Whereas entities which truly have a global reach or need the support of capital markets will need to utilize full IFRS in order to obtain the required international respect and financing this may not be the case for entities under close control or which are primarily of a local importance. Using *IFRS for SMEs* for such entities would start these entities on the journey of using IFRS rather than having them use other standards which do not embrace some of the fundamental principles of IFRS.
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Allow IFRS for SMEs for use in statutory financial statements of subsidiaries which report under full IFRS and introduce disclosure simplifications

- Producing financial statements for statutory purposes of subsidiaries of parents which produce full IFRS consolidated financial statements is often an excessive burden for international companies operating in many jurisdictions. Full IFRS financial statements including all disclosures are often not justified. The IASB should explore ways to have IFRS for SMEs accepted in more jurisdictions for subsidiary entities of such groups so as to ease the burden on such subsidiary companies. The IASB should also continue to make improvements to the *IFRS for SMEs* so as to reduce their cost of implementation.

Relevance of full IFRS

- There is an increasing tendency for entities that report under full IFRS to place added focus on alternative reporting bases such as “core” or “underlying” earnings. Such entities use these alternative performance measures since they consider that they assist in the communication of the entity’s results to their key stakeholders. We consider that this shows that in several areas the financial statements using full IFRS standards have lost their relevance. We welcome that some of these issues have been raised in comments on the ED on the *Conceptual Framework* and that the IASB is working on this as part of the *Disclosure Initiative*. The Trustees should request that the Board takes these comments into account and to address this issue as a high priority.

Should IASB develop standards for other entities, particularly in the private or not-for-profit areas

- We consider that the IASB has more than enough to do to take into account the above comments on full IFRS and *IFRS for SMEs*. We therefore do not support, at this stage, the use of the scarce resources of the IASB in developing standards for public and not-for profit entities.

## Question 2

*Do you agree with the proposal that the IASB should play an active role in developments in wider corporate reporting through the co-operation outlined above?*

We are of the firm view that the focus of the IASB must remain on the preparation of general purpose finance reports and even more specifically on the preparation of financial statements. We agree that the IASB should continue to cooperate with organisations that are involved in the broader context of corporate reporting, but without endorsing any particular framework.

As an organization which represents preparers, we are concerned about the present trend to turn the IIRC Framework itself into a “hot topic”. Currently few of our investors or analysts are requesting reports using this Framework. Furthermore, we believe that those investors which are concerned about companies reporting the wider social or environmental impact of their operations currently are often looking at some of the other frameworks that are mentioned in paragraph 28. We consider that there are already too many competing frameworks for non-financial reporting, and that there is no need for the IASB to endorse a particular framework or add a competing approach to this fragmented landscape.

## Question 3

*Do you agree with the Foundation’s strategy with regard to the IFRS Taxonomy?*

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## Question 4

*How can the IASB best support regulators in their efforts to improve digital access to general purpose financial reports to investors and other users?*

We respond to questions 3 and 4 together.

We consider that it is understandable, but unsatisfactory, that data aggregator services often do not make any distinction as to what the underlying accounting framework is when comparing the results of one entity against another. Indeed, we consider that this type of undifferentiated data puts more strain on the relevance of full IFRS than would the introduction of *IFRS for SMEs* for certain quoted entities, discussed in Question 1.

We agree that the Trustees and IASB cannot ignore the trend to more digital data and the approach to the IFRS Taxonomy is reasonable. More effort however should be made to make it clear what the underlying accounting framework and principles are when the IFRS Taxonomy is compared to other accounting frameworks that may be allowed in certain jurisdictions.

Generally we support that the IASB should not use its own limited resources to develop the required IFRS Taxonomy software.

## Question 5

*Do you have any views or comments on whether there are any other steps the IASB should take to ensure that it factors into its thinking changes in technology in ways in which it can maintain the relevance of IFRS?*

The growing use of technology means that it is increasingly likely that users of financial statements will use only selected parts of the full set of financial statements and may focus on more disaggregated data or, as mentioned above, “underlying” results rather than a total company’s full IFRS data.

One consequence of this is that the standards may need to differentiate data of differing levels of significance to users. Certain data may then get relegated to a more detailed document and will not be attached to the main document. Indeed, the concept of a single document may cease to be relevant.

The Board should start to consider the impact of this and on how to communicate that such data is just an extract from the full IFRS financial statements.

## Question 6

*What are your views on what the Foundation is doing to encourage the consistent application of IFRS? Considering resourcing and other limitations, do you think that there is anything more that the Foundation could and should be doing in this area?*

### IFRS Interpretations Committee

We agree that the Annual Improvements process is working well.

Having said this we are not satisfied with the Interpretations Committee process. It often takes too long for the Committee to come to its conclusions and then there are times (as with the IFRIC 21 related to Levies) where it seems that the interpretation introduces such a fundamental change that it would be better for the interpretation to go through the due process equivalent to a narrow scope amendment. Furthermore, we often do not have clarity on what issues should be

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addressed by the Interpretations Committee compared to the full Board or why some items are rejected for consideration (e.g. interaction of high inflation accounting and appropriate exchange rates for consolidation in such difficult cases as Venezuela which, despite the views reached by the Interpretations Committee outreach, is actually of wide applicability).

We suggest that consideration is given to including new interpretations in the Annual Improvements process so as to give the interpretations more prominence and a more robust due process.

#### Education activities in support of consistent application

We agree that it is not the primary responsibility of the Trustees to ensure appropriate education.

As indicated in Question 1 however we believe that if the Trustees would allow the use of IFRS for SMEs for publicly traded entities and give more guidance as to how lack of full compliance with full IFRS should be reported, that this would help and not hinder the communication of the results of entities which are not in full compliance with IFRS.

#### Post-Implementation Reviews (PIR)

We consider that too often the PIRs have overlooked objections made during the process in their desire to reduce changes in standards to the minimum and not being prepared for a fundamental re-think. (e.g. accounting for contingent considerations). Whilst we accept that some of these items are being put on the research agenda we do not consider that they are being followed up with sufficient urgency.

### **Question 7**

*Do you have any suggestions as to how the functioning of the three-tier structure of the governance of the Foundation might be improved?*

We have no specific observations to this question.

### **Question 8**

*What are your views on the overall geographical distribution of Trustees and how it might be determined? Do you agree with the proposal to increase the number of 'at large' Trustee appointments from two to five?*

We fully agree with the proposal to increase the "at large" number of Trustees from two to five so as to be able to draw on the resources of people who do not easily fit into the geographical allocation.

### **Question 9**

*What are your views on the current specification regarding the provision of an appropriate balance of professional backgrounds? Do you believe that any change is necessary and, if so, what would you suggest and why?*

We consider that the Constitution should not just focus on a geographical allocation but should also ensure that there is a balance of Trustees with a broad range of backgrounds (e.g. preparer, auditor, regulator, analyst etc.).

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**Question 10**

*Do you agree with the proposal to change the focus and frequency of reviews of strategy and effectiveness, as set out above?*

We agree that a strategic review only every 5 years is sufficient.

**Question 11**

*Do you agree with the proposals to reduce the size of the IASB as set out in the Constitution from 16 members to 13 and the revised geographical distribution?*

We agree that reducing the size of the IASB from 16 to 13 is acceptable and will speed up decision making. We are basically in agreement with the proposed geographical allocation. However, we also consider that the Trustees should consider whether it would be appropriate for the North American allocation to be reduced from three to two (with ideally priority representation given to a country which uses IFRS), with an increase to three for the number of members "from any area" (which could naturally include North America), following the same reasoning as is outlined with regard to the Trustees.

**Question 12**

*Do you agree with the proposal to delete Section 27 and to amend the wording of Section 25 of the Constitution on the balance of backgrounds on the IASB?*

We agree.

**Question 13**

*Do you agree with the proposal to amend Section 31 of the Constitution on the terms of reappointment of IASB members as outlined above?*

We agree.

**Question 14**

*Do you have any comments on the Foundation's funding model as outlined above? Do you have any suggestions as to how the functioning of the funding model might be strengthened, taking into consideration the limitations on funding?*

We take note of the views of the Trustees regarding funding as expressed in paragraphs 96 and 97 of the document. We intend to survey the views of our members on this point and will communicate our views in due course.

Irrespective of this response, one immediate action for the Trustees is that they should work with the SEC to ensure that where entities utilise IFRS for their primary listing, but also have a listing on an SEC regulated exchange, that any fee currently paid to the FASB based on their market capitalization is channeled instead directly to the IASB. We consider that this is a natural consequence of the fact that the SEC now accepts that entities utilising full IFRS no longer need to make a reconciliation of key figures with US GAAP. As a result it seems inappropriate that such entities have to fund, often considerable amounts, to the FASB.

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**Question 15**

*Should the Trustees consider any other issues as part of this review of the structure and effectiveness of the Foundation? If so, what?*

We have no specific additional comments.