



INTERNATIONAL ELECTROTECHNICAL COMMISSION

CONFORMITY ASSESSMENT BOARD (CAB)

Meeting **35**, Geneva, 2014-06-16

SUBJECT

Agenda item 6.3

Report from CAB WG 11, Systems Issues, on Draft Guidelines concerning the IEC CA Systems' General Reserves

BACKGROUND

This document is a response to one of the four tasks assigned to WG 11 by the CAB at the 2013 CAB New Delhi meeting, recorded in the following CAB decision:

Decision 34/2 — Guideline of the Systems' general reserves

The CAB tasks WG 11, in consultation with the General Secretary, to investigate and respond to the issues raised by IECEx Decision 2013/50B in the document CAB/1204/R and to propose a guideline at the June 2014 CAB meeting

Note:

IECEX Decision 2013/50B

The Meeting agreed for the need to undertake a review of the General Reserve policy to address:

- *Clarify the exact IEC Policy requiring these reserves*
- *Clarity over why the funds are necessary and what is to be covered*
- *Clarity over what comprises Operating Costs*
- *Funds needed to ensure ordered contraction of the System in the unlikely event of unexpected world-wide trading conditions*
- *Timeframe to achieve the General Reserve Target*
- *Establishment of a final Ceiling level*

Further to CAB Decision 34/2, CAB WG 11 has prepared draft guidelines to assist in a common understanding of the approach towards IEC CA Systems financial reserves.

Thanks to Chris Agius, Executive Secretary of the IECEx and the IECQ, the draft guidelines, in annex, are part of this WG 11 report to be circulated to the CAB for its upcoming June meeting after any further editing, in consultation with the General Secretary, based on the WG 11 members' comments.

Members of WG 11:

Hiromichi Fujisawa	Convener, CAB Chairman
Chris Agius	IECEX and IECQ Executive Secretary
Simon Barrowcliff	(UK)
Didier Bourges	(FR)
Joe Gryn	(CA)
David Hanlon	CAB Secretary
Thomas Korssell	(SE)

Kerry McManama IECEE Executive Secretary
Jos Remy (NL)

CAB WG 11 members were requested to review and provide comments on this document by 2 May to the Convener, Hiromichi Fujisawa, with copy to the IEC General Secretary and the CAB Secretary. No comments were received.

ACTION

CAB Members are requested to consider these draft guidelines and provide any feedback during the CAB Meeting on 16th June 2014.

Draft Guidelines concerning IEC CA System's General Reserve

Background:

Article 13 of the IEC Statutes requires that each of the IEC CA Systems is responsible for its own finances, while the Basic Rules of each CA System request that the CA System shall be self-financing. Part of this responsibility is the provision of adequate financial reserves.

While requiring the CA Systems to be responsible for their own finances, the legal responsibility for the CA Systems sit with the IEC as the official legal entity.

The purpose of these guidelines is to ensure a common understanding of various aspects that impact on the establishment and maintenance of an adequate general reserve to cater for contingencies in the day to day operation of the IEC CA Systems.

Purpose of Financial Reserves:

The IEC CA System's financial reserves are required to cover costs associated with either of the following broad issues:

- Unexpected and hence unbudgeted costs associated with the day to day operation of the CA System and its Schemes
- Costs of a short term measure that may be regarded as non recurrent costs, eg CA System Secretariat staffing changes, special events, etc
- To supplement CA System income to reduce cost burden to CA System members and customers as agreed by the CA System members and the CAB
- Costs associated with legal and administrative work associated with matters brought against the IEC due to operation of Schemes within an IEC CA System
- Costs associated with IEC action arising from misuse of the IEC CA System's logos, certificates or brand that require IEC to take positive actions
- The maintenance of a CA System's structure

Principles:

The CA Systems are requested to adhere to the following principles when managing their finances and their General Reserve:

- The targeted minimum level of their reserve shall be that which would cover three (3) years Operating Costs of the CA System, being the CA System's daily operating costs at the year end for the preceeding end-of-year audited accounts.
- While it is desired that each CA System achieves and maintains the minimum level, it is accepted that each CA System is at a different stage in its development of their General Reserves and therefore no time limit has been set to reach this level.
- The CA System in consultation with the IEC General Secretary and CEO shall monitor the level of General Reserve once the minimum target has been reached, concerning the determination of any maximum level.

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