

Verification Commission**Batumi, Georgia****Minutes****30th September 2018, 17.00-19.00**

Chairman: G. Boxall (JCI)

Members: T. Sitale (BOT), M. Murphy (ISV)

Present: A. Holowczak (ENG), H. Bond (CAN), G. Nesheim (NOR), P. Laine (FIN), R. Haring (USA), N. Short (ENG), M. Khodarkovsky (USA), A. Priest (USA), S. Sloan (USA), K. Bonham (AUS), N. Faulks (BER), M. Al-Mudahka (QAT), C. Zhu (QAT), V. Bologan (MDA), N. Katis (FIDE), H. Hamers (NED), G. Wastell (AUS), G. Hinga (KEN), T. Wolfram-Falk (GER), R. Jones (PNG), W. Iclicki (LIE)

Apologies: Apologies for absence were received from N. Freeman (FIDE)

Minutes of October 10, 2017

After a few words of welcome from the Chairman, the meeting reviewed the minutes of 10th October in Antalya and invited comments from members. Subject to two amendments namely the date of the Agon contact with FIDE to 20th February 2012 and the substitution of Mr. for Alex in the reference to Alex Holowczak, on a proposal N. Falks seconded by H. Bond the minutes were approved.

Report of the Commission's Visit to the Secretariat in Athens in July 2018 and review of the accounts of 2017.

Documents consisting of the Auditor's Report, FIDE's balance sheet dated 31 December 2017, the statement of income and expenditure (with notes) for the calendar year 2017, together with the Verification Commission's review report dated July 2017,

were tabled in the meeting. After a brief summary of the overall results of the year, the Chairman referred the all matters to the meeting for discussion.

The holding of UBS

investment securities was raised to by Mr. Priest: the meeting noted that the holding remained the same during the year but its value had slightly decreased.

The entry under the heading Debtor Federation's generated considerable interest and discussion. Not everyone was reassured by the Commission's suggestion and that the figure was not as alarming as it first appeared and that the size of it was a result of the routine invoices that the FIDE Office raises at the end of the year and expects to be paid within two or three months of delivery of invoices to federations. Mr. Short wished to know whether a list of federation debtors was published and it was explained, in the current circumstances involving the changes in FIDE's banking arrangements, it had been decided to postpone the updating of the list until FIDE's banking difficulties had been resolved and regularized. Mr. Short expressed concern that treatment by FIDE of defaulting federations should not be motivated by political considerations. Ms. Haring expressed the view that the regulations should be complied with. The Treasurer referred to the governing provisions in FIDE's Handbook and the apparent inconsistency between wording in the statutes Chapter 2.5 and wording in Financial Regulations Chapter 6.2 The former appeared to suggest flexibility, the latter strict compliance. Mr. Siegel made it clear that political considerations were not considered relevant.

Concern was expressed by Mr. Priest and Mr. Laine about the possibility of an increase in the number and sum of debtor federation arrears and the accumulation of provision for bad debts under this heading. The Chairman agreed to seek further analysis and explanation of the matter. Mr. Sloan recalled that historically assistance may have been given to defaulting federations, especially in Olympiad years. Mr. Faulks expressed the wish that measures taken by FIDE against defaulting federations should not necessarily result in, for example, the withholding of a players' rating to the prejudice of an innocent opponent.

During a brief digression into the matter of the threatened freezing of FIDE's UBS banking facilities at the end of April 2018, a concern that FIDE had failed publicly to identify the new banking arrangement was corrected by Mr. Hamers who confirmed that the name Kei Trading Services had been duly published on the FIDE website. The Treasurer provided the Chairman with a copy of FIDE's written agreement with Kei Trading Services.

A little time was spent looking at the doubling of expenditure on legal costs over budget and relevant detail, including advice on matters involving administration and other individuals. In response to an inquiry about the loss on currency conversion figure of 140,395 euros, Mr. Jarrett explained that many of FIDE's transactions involve foreign exchange, particularly euros and dollars and give rise to timing differences between periods of payment and receipt. In general, he said, the apparent gain in the value of the monies received was compensated for by an equivalent decrease in the value of the monies paid out, and vice versa.

The topic of non-receipt of income from Agon was discussed and explained by reference to the agreement dated 12th October 2017 rescheduling payments due to FIDE by Agon under the terms of their agreement of 20th February 2012. The Treasurer indicated that a sum of 900,000 euros (less certain agreed withholdings) was due to be paid to FIDE by the end of 2018 and that Agon had complied with its 2018 obligations so far. On the request of Mr. Short, the Chairman agreed to consider supplying him with a copy of the agreement of 12th October 2017. In the context of the query by Mr. Short as to what benefit had accrued from the signing of that re-scheduling agreement, Mr. Short agreed to provide a copy of a memorandum which he thought might shed some light on the situation.

The meeting noted that a decision had been taken to close the Moscow office and that the matter was in the hands of lawyers to bring it to a conclusion. The subject of legal costs, and the doubling of expenditure over the amount budgeted was explored and explained in more detail. Items identified included advice on the matter of revocation of the suspension of the President's powers, the maladministration of the affairs by the former European Chess Union and numerous other individual matters. Mr. Priest's inquiry about the variance between budget and actual figures for tax was explained by Mr. Jarrett by reference to the unexpected surplus of income from the world Rapid and Blitz Championship and World Cup events. Explanation was sought

and provided in relation to the figure on 19,976 Euros spent on Veterans Support. On the matter of Presidential advisers, it was thought that the expenditure was unlikely to continue beyond the date of the General Assembly. Matters of accounting standards and presentation, including cash-flow information, was raised by Mr. Priest. He expressed the view that it was desirable that FIDE's financial statements and accounting policies should reflect accepted international standards. Mr. Jarrett explained that there was no statutory requirement for an audit of FIDE's accounts but that FIDE had nevertheless chosen to adopt what he described as a middle level of audit. He said that the matter would be given further consideration.

Any other Business

In response to a re-visitation by Mr. Short to the matter of the transfer by FIDE of its funds to the new fiduciary account referred to earlier in the meeting, the Chairman responded that the Commission was satisfied that FIDE acted prudently in the context of force majeure. Mr. Khodarkovsky wished to be reassured that the new entity was able to provide FIDE with a service equivalent to that which it previously received from UBS. The Treasurer and Mr. Jarrett explained that its method of dealing was slightly different and somewhat slower than that of UBS but that it nevertheless enabled FIDE to continue to manage its banking affairs in an orderly fashion.

Termination

The Chairman thanked the members for their attendance and declared the meeting closed at approximately 8.00pm.