

31 March 2009

Ms Tamara Oyre  
Assistant Corporate Secretary  
IASC Foundation  
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UNITED KINGDOM

By email: [constitutionreview@iasb.org](mailto:constitutionreview@iasb.org)

Dear Ms Oyre

**Review of the Constitution – Identifying Issues for Part 2 of the Review**

The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants is pleased to submit its comments on Part 2 of the Review of the Constitution.

Responses to those Questions for Consideration in which the FRSB has a specific jurisdictional responsibility are addressed in the attachment to this letter.

If you have any queries or require clarification of any matters in this submission, please contact Patricia McBride ([patricia.mcbride@nzica.com](mailto:patricia.mcbride@nzica.com)) in the first instance, or me.

Yours sincerely



Joanna Perry  
**Chairman – Financial Reporting Standards Board**  
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**Appendix – FRSB comments on  
*Identifying Issues for Part 2 of the Review of the Constitution***

**Question for consideration**

- 4 There are other organisations that establish standards that are either based upon or have a close relationship with IFRSs. The IASC Foundation already recognises the need to have close collaboration with accounting standard-setting bodies. Should the Constitution be amended to allow for the possibility of closer collaboration with a wider range of organisations, whose objectives are compatible with the IASC Foundation's objectives? If so, should there be any defined limitations?

1. The FRSB acknowledges that the IASB is already "expected to establish and maintain liaison with national standard-setters and other official bodies concerned with standard-setting in order to promote the convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards" (Constitution, paragraph 28).
2. The FRSB supports the detailed liaison on technical issues that is developing between the IASB and the International Public Sector Accounting Standards Board (IPSASB) and would welcome this relationship being specifically acknowledged in the Constitution given that the IPSASB is the international setter of financial reporting standards for a constituency that is not served by the IASB. Indeed, the FRSB considers that the time may come when it is appropriate for the IASB and IPSASB to develop a very close working (and, possibly, organisational) relationship.
3. The FRSB considers that the IASB will always need to have close collaboration with a wide range of organisations concerned with standard setting, some for specific purposes (such as on specific projects or events) and some on an ongoing basis (such as international prudential supervisors). The FRSB does not consider that the Constitution needs to identify the types of bodies appropriate for collaboration or that the Constitution should make specific mention of any such bodies. Rather, the FRSB considers that relationships should be allowed to emerge, develop and disappear as the need arises. In addition, a mention of some bodies by name or category has the potential to classify bodies unnecessarily in terms of their relationship with the IASB or IASC Foundation.
4. In summary, the FRSB is of the view that the Constitution should not be amended to allow for the possibility of closer collaboration with a wider range of organisations whose objectives are compatible with the IASC Foundation's objectives. The only amendment the FRSB would recommend is to explicitly acknowledge the existence and importance of the IPSASB.

**Questions for consideration**

- 10 The Constitution describes the principles and elements of required due process for the IASB. The IASB's procedures are set out in more detail in the *IASB Due Process Handbook*. If respondents do not believe the procedures laid out in the Constitution are sufficient, what should be added? If respondents believe that the procedures require too much time, what part of the existing procedures should be shortened or eliminated? The Trustees would also welcome comments on recent enhancements in the IASB's due process (such as post-implementation reviews, feedback statements, and effect analyses) and on the IASB Due Process Handbook.
- 11 Should a separate 'fast track' procedure be created for changes in IFRSs in cases of great urgency? What elements should be part of a 'fast track' procedure?

5. The FRSB has carefully reviewed the *IASB Due Process Handbook* and considers that it provides sufficient flexibility to address the majority of circumstances that are likely to arise. The FRSB does not consider that the IASB's due process should ever permit the issuance of a new or amending standard without consultation or even advance communication to constituents as was the case with the *Reclassification of Financial Assets* amendments to IAS 39 *Financial Instruments: Recognition and Measurement* last October. The only reason that a number of jurisdictions were not forced into non-compliance with IFRSs at that time was that the amending standard contained an option and not a mandatory requirement.
6. As a national standard setter, the FRSB has worked with the IASB for many years. The FRSB does not consider that unnecessary delays are caused by the due process procedures. Delays are generally caused by factors outside the due process such as changes in priorities leading to shortages of staff or Board time for a particular project. The FRSB is concerned that a 'fast track' due process should not be available to compensate for a project that has been delayed by factors outside the normal process appropriate to that project.
7. The FRSB does not support a separate 'fast track' due process for changes in IFRSs in cases of great urgency. The *IASB Due Process Handbook* already permits a comment period of 30 days in respect of an exceptionally urgent matter. A comment period of less than 30 days demands an extraordinary amount of resources to ensure that those who are likely to be affected are aware of the proposals and have time to comment. Further, a comment period of less than 30 days creates difficulties for jurisdictions that need to translate the proposals and for any jurisdiction that is experiencing a regional holiday period.
8. The FRSB would support a separate 'fast track' due process in the case that a new standard or amendments to a standard are to be withdrawn or have the application date deferred. If the IASB were to find issues that required deferral or withdrawal, then it should be possible to fast track such amendments. However, the FRSB would anticipate that such a fast track would carry special communication arrangements including notice of the Board meeting at which the issue is to be discussed and immediate announcement on the IASB website of the resulting decision.

<p><b>Questions for consideration</b></p>
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| <p>14 Should the Trustees consider any other issues as part of this stage of their review of the Constitution?</p> |
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9. The FRSB notes that neither the Constitution nor the *IASB Due Process Handbook* prohibits mandatory retrospective application of new or revised standards or interpretations. In the view of the FRSB, such a prohibition is essential for IFRSs to be adopted in many jurisdictions. It is a basic tenet of lawmaking that the law that applies at the time of making a decision should continue to be the law that applies to that decision. Further, the FRSB is aware that retrospective rulemaking is prohibited in some jurisdictions. The FRSB urges the incorporation of a prohibition on mandatory retrospective application of new or revised standards as being both good standard setting and necessary to support the adoption of IFRSs world-wide.