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Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation Internationale des commissions de valeurs
Organização Internacional das Comissões de Valores

17 September 2008

Ms. Tamara Oyre
Assistant Corporate Secretary
International Accounting Standards Committee Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Via Email: constitutionreview@iasb.org

Re: Discussion Document, *Review of the Constitution – Public Accountability and the Composition of the IASB – Proposals for change – July 2008.*

Dear Ms. Oyre:

The International Organization of Securities Commissions (IOSCO) appreciates the opportunity to comment on the July 2008 Discussion Document issued as part of the IASC Foundation's Constitution review. As an international organization of securities regulators representing the public interest, the objectives of IOSCO's members are:

- to cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets;
- to exchange information on their respective experiences in order to promote the development of domestic markets;
- to unite their efforts to establish standards and an effective surveillance of international securities transactions; and

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- to provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offenses.

IOSCO considered these objectives in responding to this proposal. In that regard, we welcome the Trustees' proposal to within its Constitution provide for a formal connection between securities authorities and the International Accounting Standards Committee Foundation (IASC Foundation). In addition, we believe that further consideration of the timing of Trustee decisions about any changes affecting Board membership may be warranted. Finally, as this proposal is the first of two phases of the Constitution review process we also look forward to providing input on matters raised during the second phase.

IASC Foundation Interaction with the Monitoring Group

Establishment of a Monitoring Group

IOSCO welcomes the proposed constitutional linkage between the IASC Foundation Trustees and a Monitoring Group to enhance the accountability of the IASC Foundation to those charged with establishing or determining accounting standards within their respective jurisdictions. We view the objective of the Monitoring Group as providing a liaison between securities authorities and the IASC Foundation. The Monitoring Group will serve as a mechanism for interaction between securities authorities and the International Accounting Standards Board's (IASB) oversight trustees, which will approximate the historical relationship between securities authorities and accounting standards setters at the national level. In turn, this will enable securities authorities that allow or require the use of International Financial Reporting Standards (IFRS) in their jurisdictions to serve the public interest by more effectively discharging their own mandates relating to investor protection, market integrity and capital formation.

In conjunction with developing the charter of the Monitoring Group, IOSCO is considering the Monitoring Group's optimal composition in order to represent the interests of securities regulators from both the more developed and emerging capital markets around the world. To that end, IOSCO supports a Monitoring Group membership consisting of two representatives from IOSCO and one from each of the European Commission, the Financial Services Agency of Japan and the U.S. Securities and Exchange Commission. Given that uniquely in Europe the responsibilities for accounting standards and their implementation reside among both the European Commission and the Committee of European Securities Regulators (CESR), IOSCO respects the matter of a presence for CESR in the Monitoring Group. To this end IOSCO supports a role for CESR in the capacity of a non-voting Observer to the Monitoring Group, as would be provided for in the Monitoring Group's charter.

The Chair of the IOSCO Executive Committee will designate the two IOSCO member individuals who will represent it on the Monitoring Group. This approach is consistent with our policy which provides that the Chair of the Executive Committee, in consultation with the Chairs of the Technical Committee and Emerging Markets Committee, shall identify the appropriate member to represent IOSCO as a whole in various external venues. To fulfill the Monitoring Group's objective to reflect the interests of securities regulators from around the world, we plan

to designate one individual from among our Technical Committee members and one individual from among our Emerging Markets Committee members.

Additionally, securities authorities involved in developing the charter of the Monitoring Group are considering the role other constituents may have in its functioning. While we view the express purpose of the Monitoring Group is to carry out, at the international level, securities regulators' traditional role with respect to oversight of accounting standards setters, we recognize the potential substantive contribution other interested bodies may make to the Monitoring Group's deliberations. Accordingly, we are currently evaluating the possibility of establishing an advisory group from which the Monitoring Group would receive input relevant to the responsibilities of the Monitoring Group. Such constituents may include representatives of the International Monetary Fund and the World Bank, among others. Further, we are considering the possible role of the Basel Committee on Banking Supervision as a non-voting Observer to the Monitoring Group to provide the views of banking organizations.

Lastly, as a point of semantics, it may be better if the "Monitoring Group" is instead named the "Monitoring Body" to distinguish it from the "Monitoring Group" that is associated with the standard setting functions of the International Federation of Accountants.

Continued Role of the Trustees Appointments Advisory Group

The Discussion Document requests comments on whether there would be a continued need for the IASCF's existing Trustees Appointments Advisory Group ("TAAG") in light of the proposed creation of the Monitoring Group and its role in the Trustee selection process. We believe the members of the TAAG could continue to provide valuable input in identifying qualified Trustee candidates as the extent of their knowledge and experience is unaffected by the formation of a relationship between the Trustees and a Monitoring Group. In that regard, the Chair of the IOSCO Executive Committee would be pleased to continue as a member of this group.

Composition of the IASB

We are of the opinion that the effects of any proposed changes to the Board structure that the Trustees foresee arising out of this Constitution review cycle should be evaluated as a single package so that all of the effects could be considered together. Thus, if the Trustees anticipate that there could be proposals related to the Board in the 2009 phase of this Constitution review cycle, then we believe that the current proposed changes to increase the number of Board members from 14 to 16 and to alter the criteria for Board member selection to provide for more explicit emphasis on geography should be deferred and considered in that phase. This is because these proposals do not appear to us to be so urgent to the point of forgoing the opportunity to consider the interaction between these and any other proposed changes related to Board structure. If, instead, the Trustees decide to go ahead with their consideration of these proposed changes at this time, then we offer the following comments.

Proposed Increase in Number of Board Members

We are not completely persuaded as to why two additional Board members will address the constituent outreach matter noted in the proposal. For example, without understanding the


current shortfall in Board member resources for regional outreach work, we weren't sure whether the proposed two additional Board members would adequately address it or whether in the medium term that number would need to be further increased. Further, it is not clear why an increased number of Board members would be the optimal solution to address outreach levels, rather than, for example, increased participation by IASC Foundation and IASB staff in outreach activities. Should the current number of Board members be insufficient to conduct the affairs of the Board, we do not object with an increase in membership as proposed. However, we believe that more detail supporting how the operations of the Board will be enhanced through the addition of two members should be provided.

Proposed Criteria for Board Member Selection

IOSCO expressed its views about Board member selection criteria in its response to the proposals made under the previous Constitution review. After considering the developments related to the IASB and IFRS during the last five years, IOSCO has concluded that those fundamental views, as written in its letter dated 9 February 2004, have not changed. The Trustees responsibility is then implementation in the context of the IASB's continually developing role as the global standard setter. IOSCO reserves further judgment on Board member selection criteria as we would prefer to consider it as part of evaluating all the proposed changes regarding IASB composition during the second phase of the Constitution review.

We appreciate the Trustees' thoughtful consideration of the points raised in this letter. If you have any questions or need additional information about the comments that we have provided, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jane Diplock', with a large, stylized initial 'J' and a long, sweeping horizontal stroke at the end.

Ms. Jane Diplock
Chair
IOSCO Executive Committee

cc: Mr. Gerrit Zalm, Chairman, IASC Foundation
Mr. Thomas Seidenstein, Director of Operations, IASC Foundation