

November 24, 2009

Ms. Tamara Oyre  
Assistant Corporate Secretary  
IASC Foundation  
30 Cannon Street  
London EC4M 6XH  
United Kingdom  
E-mail: [toyre@iasb.org](mailto:toyre@iasb.org)

Dear Ms. Oyre:

**IASC Foundation: Part 2 of the Constitution Review  
Proposals for Enhanced Public Accountability  
September 2009**

This letter provides the comments of the Canadian Accounting Standards Oversight Council and the Accounting Standards Board regarding the IASC Foundation (IASCF) proposals in the September 2009 Discussion Document.

We agree with many of the proposals in the Discussion Document. However, we strongly disagree with the proposal to establish an accelerated due process in exceptional circumstances (Question 11).

We also disagree with the following proposals:

- changing the name of the IASB to the IFRS Board (Question 1);
- emphasizing that governance of the IASC Foundation rests “primarily” with the Trustees (Question 4); and
- reducing the length of a possible second term of IFRS Board members (Question 10).

The attachment to this letter provides the rationale for our responses. The attachment also provides additional responses to questions in the discussion document and our comments on the role of prudential regulation, translation and the role of the IASB Chair / Chief Executive of the IASCF.

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Should you require any additional information about our comments, please contact either of us, Peter Martin, Director, Accounting Standards ([peter.martin@cica.ca](mailto:peter.martin@cica.ca)) or Ian Hague, Principal, Accounting Standards ([ian.hague@cica.ca](mailto:ian.hague@cica.ca)).

Yours truly



Douglas M. Hyndman  
Chair  
Accounting Standards Oversight Council  
[dhyndman@csto-btcvm.ca](mailto:dhyndman@csto-btcvm.ca)



Patricia L. O'Malley  
Chair  
Accounting Standards Board  
[tomalley@cica.ca](mailto:tomalley@cica.ca)

**Attachment: Responses to Questions in the IASCF Discussion Document**

*Change of name of the IASC Foundation to the IFRS Foundation and the IASB to the IFRS Board (Question 1)*

We agree with the proposal to change the name of the IASC Foundation to the IFRS Foundation. The existing name is confusing to many and does not reflect the present organization.

We do not agree with the proposal to change the name of the IASB to the IFRS Board. Although it might be argued that the proposed name change reflects the evolution of the organization, people are now familiar with the existing name and, in many cases, references to the IASB are embedded in other authoritative literature, including legislation, as well as large numbers of private contracts. We think that the potential costs to stakeholders of updating such references and becoming familiar with the new name (which is a second change in less than ten years) would outweigh any benefits of this name change.

*Replace all references to accounting standards with financial reporting standards throughout the Constitution (Question 2)*

We agree with this change to the Constitution.

*Clarify the wording of the objectives of the organisation, but not modify them to, for example, include focus also on public sector or not-for-profit standards, or to make reference to principle-based standards (Question 3)*

We agree with the proposals. In particular, we agree that the Constitution should not make reference to “principle-based standards.” We think that the Due Process Handbook is the appropriate place for such references. We also agree that the Constitution should not, at this time, be widened to include the public and not-for-profit sectors. We think that would detract from the present valuable work being undertaken.

We recommend that part (a) of the objectives be amended as follows,

“to serve the public interest by developing, ~~in the public interest~~, a single set of ... standards ...”

We think that such a change will place the emphasis on the fact that the public interest is served by the development of high quality, understandable, enforceable and globally accepted financial reporting standards. The current wording has been interpreted by some to suggest that in developing the standards the Board must take into account some (undefined) view of the public interest.

This change in wording might preclude the arguments put forward by some people that individual standards are not in the public interest. Such arguments usually rest on predictions of economic consequences that are seen as undesirable from a public policy perspective. Whether an outcome is desirable from a public policy perspective is not part of the remit of accounting standard setters.

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This change would also conform the wording of the IASB's objectives to that of the objectives of the International Public Sector Accounting Standards Board and the International Audit and Assurance Standards Board.

*More accurately reflect the role the Monitoring Board now plays in the governance structure of the organisation by stating that "The governance of the IASC Foundation shall primarily rest with the Trustees ..."* (Question 4)

We disagree with adding the word "primarily." We think that this inappropriately suggests that the Monitoring Board (or others) has a role in governance of the IASCF beyond the appointment of the Trustees. We think that the sole responsibility for governance resides with the Trustees. The Monitoring Board's purpose is "to serve as a mechanism for formal interaction between capital markets authorities and the IASCF,"<sup>1</sup> not to take on governance responsibilities.

*Require one Trustee from each of Africa and South America* (Question 5)

We agree with this proposal, which reflects the global reach of IFRSs.

*Provide for appointing up to two vice-chairmen for both the Trustees and the IFRS Board* (Questions 6 and 9)

We agree with these proposals. We understand that the appointment of two vice-chairmen of the Standards Advisory Council has been beneficial. These proposals might go some way to managing the workload, as well as allowing for individuals from a wider range of backgrounds to serve in senior roles in the organization.

*Make no specific amendments to the Constitution regarding effective Trustee oversight* (Question 7)

We agree that no amendments to the Constitution are needed in this regard. We encourage the Trustees to continue with their ongoing enhancements of the oversight process.

*Provide more flexibility in the Constitution regarding liaison with national standard-setters and other official bodies with an interest in standard-setting by focusing on "assistance in the development of IFRSs," in addition to the existing focus on "promoting convergence of national accounting standards and IFRSs"* (Question 8)

We agree with this proposal.

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<sup>1</sup> See Memorandum of Understanding between the Monitoring Board and the IASCF Trustees.

*Reduce the length of a possible second term of the IFRS Board members to ensure appropriate turnover (Question 10)*

We disagree with this proposal. We acknowledge the need for turnover and fresh views, but we think that objective can be achieved without changing the Constitution. Not all Board members need to or will wish to serve for a full ten years. However, we think that a shorter maximum term will make it increasingly difficult to attract senior people to leave their present organizations to join the Board. Also, we note that it takes a considerable amount of time for a Board member to become fully familiar with all aspects of the Board's projects, particularly when he/she has no previous direct experience with standard-setting activities. In addition, with less continuity among Board members there is a higher risk of major projects taking longer to complete because of the need to educate new Board members during the course of the project.

We think that the second term for a Board member should be "a further term of up to five years." This would allow the Trustees the flexibility to appoint a Board member whose expertise is, for example, critical to the completion of a major project, for a term long enough to see that project to completion.

*Establish a procedure for an accelerated due process in exceptional circumstances (Question 11)*

We strongly disagree with establishing a procedure for an accelerated due process. In order to ensure high quality standards, we think that a 30-day exposure is the minimum acceptable period for global stakeholders to consider proposals. We think that even 30 days is acceptable only when the issue is narrow and urgent and there is a high probability that the Board has the correct answer. A longer comment period is essential for more complex, controversial proposals. In those many jurisdictions that have adopted IFRSs where the first language is not English, time must be allowed for translation and for consultations to be arranged and held. Anything less than 30 days disenfranchises stakeholders who rely on such national activities in order to be able to participate in the comment process and fully evaluate proposals. We think that the absence of a provision for an accelerated due process will help to protect the organization from demands for changes to standards in a timeframe that does not allow for full consideration of all circumstances

In addition, we note that there is unlikely to be sufficient time saving from any accelerated due process that is less than 30-days to make it worthwhile to implement it. Instead of simply proceeding with a 30 day comment period, the Board would be required to develop material supporting a shorter period for the Trustees to consider and a special public meeting of the Trustees would have to be convened to approve a deviation from the normal process. We cannot imagine that the Trustees would approve a comment period shorter than 15 days as we believe that would be considered compliance with the letter of due process consultation rather than its spirit. Consequently, an accelerated due process might save at most a week.

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*Expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda* (Question 12)

We agree with placing the onus on the IASB to consult with the Trustees and the SAC. We think it is important that the public are aware of those consultations, with agenda proposals presented to the SAC and Trustees being made publicly available with sufficient time for SAC members to consult with their constituents and for others to comment if so desired. However, we think that these types of detailed procedures should be addressed in the IASB's *Due Process Handbook*, rather than the Constitution.

*Make no amendments to provisions relating to the SAC* (Question 13)

We agree that no amendments to the Constitution are necessary regarding the SAC.

*Removal of specific staff titles and historical references that relate to when the organization was established in 2001* (Question 14)

We agree with these proposals.

*Other matters*

*The role of prudential regulation.*

We note that the role of prudential regulation was a subject of discussion at the roundtable in London in September. While we acknowledge that prudential regulators are interested in high-quality financial reporting, we agree strongly with those who point out that investors and creditors are the primary user group of general purpose financial statements. We think that IFRSs should not be developed specifically to serve the needs of prudential regulators, although financial statements prepared in accordance with IFRSs might be useful for their purposes. We would resist strongly any suggestion that the Constitution should be amended to change that view. We note that the G20 Heads of State called only for the IASB's institutional framework to further enhance the involvement of various stakeholders. They did not call for any changes to the objective of general purpose financial reporting.

*Translation.*

As discussed in our comments on the issues to be considered in the review of the Constitution, we continue to think that it is vital that high quality translations be available to allow stakeholders whose first language is not English to participate in the IASB's due process. This means that efforts need to be made to provide Exposure Drafts and other consultation documents in languages other than English on a timely basis. We think that the Constitution should acknowledge the importance of high quality translations being made available throughout the IASB's due process.

In some cases, such as our own, the text of IFRSs in a language other than English has the effect of law. Obviously, the existence of high quality translations of the final standards has an important effect on the implementation of a 'single set' of standards when constituents are working with translations rather than the original standards. This should be a priority for the Trustees as it is beyond the Board's remit.

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*IASB Chair/Chief Executive of IASCF.*

We think that the evolving size and complexity of the IASB and IASCF make it increasingly difficult for one individual to do full justice to both roles. In addition, the individual's increasing involvement in the "political" aspects of IASCF activities might be perceived by some as impinging on the independence of the Board's standard-setting. We think that the Constitution should allow for the roles of the IASB Chair and the Chief Executive of the IASCF to be separated and that consideration should be given to separating those roles as a new Chair is recruited in the coming months.