



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

March 31, 2009

Ms. Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom
(Email: constitutionreview@iasb.org)

Dear Madam

Re: IAA comments on the *Review of the Constitution: Issues for Part 2 of the Review*

In response to the request for comments on the Discussion Document *Review of the Constitution: Issues for Part 2 of the Review*, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

These comments have been prepared by the Committee on Insurance Accounting of the IAA. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact the chairperson of that Committee, Sam Gutterman, or any of the other members of the Committee. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Yves Guérard
Secretary General

[Attachment](#): IAA comments

**A Commentary on the
REVIEW OF THE CONSTITUTION: ISSUES FOR PART 2 OF THE REVIEW
ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE FOUNDATION:
DECEMBER 2008**

International Actuarial Association

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-two Full Member actuarial associations represent more than 95% of all actuaries practicing around the world and are listed in an Appendix to these comments. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact on the areas of expertise of actuaries.

IAA Commentary

The IAA supports the continued emphasis being placed by the IASCF on continuing to maintain a soundly-based constitution. This process of self-review is important as IFRS continues to increase in importance to the capital markets, regulators and users of financial reports around the world. Timely and regular reviews of the IASCF’s fundamental basis and its independence of operation and decision-making are critical.

Q1 The Constitution defines the organization’s primary objective in the following manner:

To develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions

In fulfilling that objective, the organization is

To take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies

Does the emphasis on helping 'participants in the world's capital markets and other users make economic decisions', with consideration of 'the special needs of small and medium-sized entities and emerging economies', remain appropriate?

IAA Comments. Although we agree with the stated primary objective, we believe that singling out the special needs of small and medium-sized entities is not necessary and might be perceived as considering the interests of these entities over the many other possible groupings of entities.

Q2 In the opinion of the Trustees, the commitment to drafting standards based upon clear principles remains vitally important and should be enshrined in the Constitution. Should the Constitution make specific reference to the emphasis on a principle-based approach?

IAA Comments. We agree with the importance on clear principles. However, we believe that important characteristics of IASB standards do not belong in the IASC Foundation Constitution. Rather, they should be clearly and prominently placed in the IASB's *Conceptual Framework*.

- Q3** The Constitution and the IASB's *Framework* place priority on developing financial reporting standards for listed companies. During the previous review of the Constitution some commentators recommended that the IASB should develop financial reporting standards for not-for-profit entities and the public sector. The Trustees and the IASB have limited their focus primarily to financial reporting by private sector companies, partly because of the need to set clear priorities in the early years of the organization. The Trustees would appreciate views on this point and indeed whether the IASB should extend its remit beyond the current focus of the organization.

IAA Comments. Although we believe that the IASB should focus on accounting standards for listed companies, it cannot ignore its application with other types of entities, at a minimum to achieve consistent reporting. Nevertheless, we would be concerned with this if it implies a significant expansion of the IASB's scope, as its current workload for the foreseeable future is already quite large. This issue should be further evaluated the next time the Constitution is reviewed.

- Q4** There are other organizations that establish standards that are either based upon or have a close relationship with IFRSs. The IASC Foundation already recognizes 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 organizations, whose objectives are compatible with the IASC Foundation's objectives? If so, should there be any defined limitations?

IAA Comments. Although we certainly agree that closer collaboration with relevant organizations will remain beneficial and encouragement is appropriate, we do not believe that it is necessary to incorporate the method of operation in the Constitution. Nonetheless, since there are many organizations whose objectives are compatible with the IASC Foundation's objectives, it is difficult to respond to this question. We do note that since we believe that independence should be enshrined in the Constitution, we would be concerned if such closer collaboration implies a reduction in the independence of the IASB.

- Q5** The first part of the review of the Constitution proposed the establishment of a formal link to a Monitoring Group. Under this arrangement, the governance of the organization would still primarily rest with the Trustees. Although the first part of the review has not yet been completed, the Trustees would welcome views on whether the language of Section 3 should be modified to reflect more accurately the creation of the Monitoring Group and its proposed role.

IAA Comments. We believe that it is adequate as it is currently written, as the Trustees are, and should remain ultimately responsible for the governance of the IASC Foundation, as it is important to maintain its independence. It may, however, be appropriate to incorporate appropriate references to the Monitoring Group elsewhere in the Constitution. Prior to making more specific reference to the Monitoring Group, experience with it would be beneficial.

- Q6** The Trustees are appointed according to a largely fixed geographical distribution. Is such a fixed distribution appropriate, or does the current distribution need review.

IAA Comments. Although the geographic distribution of Trustees is not unimportant, given the responsibilities of the Trustees, we do not believe that strict distribution derived by formula is appropriate. We remain convinced that the characteristic mix of the Trustees should be secondary to the best possible people to enable an appropriate discharge of their duties.

- Q7** Sections 13 and 15 set out the responsibilities of the Trustees. The intention of these provisions is to protect the independence of the standard-setting process while ensuring sufficient due process and consultation--the fundamental operating principle of the organization. In addition to these constitutional provisions, the Trustees have taken steps to enhance their oversight function over the IASB and other IASC Foundation activities. The Trustees would welcome comments on Sections 13 and 15, and more generally on the effectiveness of their oversight activities.

IAA Comments. We believe that several items listed in Section 13, such as 13e, may be more appropriate for inclusion in an operating plan than in a constitution. The items in Section 15 appear reasonable.

- Q8** The Trustees are responsible for ensuring the financing of the IASC Foundation and the IASB. Since the completion of the previous review of the Constitution, the Trustees have made progress towards the establishment of a broad-based funding system that helps to ensure the independence and sustainability of the standard-setting process.

However, the Trustees have no authority to impose a funding system on users of IFRS. The Trustees would welcome comments on the progress and the future of the organization's financing.

IAA Comments. We have no specific suggestions regarding Q8.

- Q9** Commentators have raised issues related to the IASB's agenda-setting process. The Constitution gives the IASB 'full discretion in developing and pursuing its technical agenda'. The Trustees have regularly reaffirmed that position as an essential element of preserving the independence of the standard-setting process. However, they would welcome views on the IASB's agenda-setting process and would appreciate it if, in setting out views, respondents would discuss any potential impact on the IASB's independence.

IAA Comments. We believe that it remains very important that the IASB maintains a strict level of independence. As a result, the Trustees should not play a role in standard setting. Nevertheless, the Trustees cannot be expected to be blind to the issues of the day. In addition, it may be worthwhile indicating the advisory role for the SAC in the agenda-setting process in the Constitution itself, rather than just in the SAC's Terms of Reference.

- Q10** 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*.

IAA Comments. We have no comments on Q10.

- Q11** 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?

IAA Comments. We agree that there is a need for a fast track procedure. We note that even if such a fast track is followed, a specified minimum period to allow for open comments should be required. The use of a fast track procedure should be announced on the IASB's website when being considered, to permit timely comments.

- Q12** Are the current procedures and composition, in terms of numbers and professional backgrounds, of the Standards Advisory Council (SAC) satisfactory? Is the SAC able to accomplish its objectives as defined in Section 38?

IAA Comments. Since the SAC was just reorganized, it is too early to comment on its procedures and composition. We suggest that after one or two years of experience with the new SAC that these be reviewed and not wait until the next Constitution Review.

- Q13** Attached to this discussion document are the terms of reference for the SAC, which describe the procedures in greater detail. Are there elements of the terms of reference that should be changed?

IAA Comments. We do not believe that the role of the SAC relative to other bodies that advise the Board has been made sufficiently clear in the Terms of Reference. We believe the SAC should be referred to as the primary forum for advice to the Board. In that regard we also believe it would be helpful to more clearly define the SAC as an integral part in the due process the Board has to follow in its standards setting process.

- Q14** Should the Trustees consider any other issues as part of this stage of their review of the Constitution?

IAA Comments. We would like to point out that we support effectiveness and appropriateness reviews of new or revised IFRSs after they have gone into effect.

Members of the IAA Committee on Insurance Accounting

Sam Gutterman	Chairperson
David Congram	Co-Vice-Chairperson
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Full Member Associations of the IAA

Caribbean Actuarial Association
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)
Institute of Actuaries of Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Association Royale des Actuaire Belges (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)
Actuarial Institute of Chinese Taipei (Chinese Taipei)
Institut des Actuaire de Côte d'Ivoire (Côte D'Ivoire)
Hrvatsko Aktuarsko Društvo (Croatia)
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Persatuan Aktuaris Indonesia (Indonesia)
Society of Actuaries in Ireland (Ireland)
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Het Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuariuszy (Poland)

Instituto dos Actuários Portugueses (Portugal)
Academia de Actuarios de Puerto Rico (Puerto Rico)
Russian Guild of Actuaries (Russia)
Udruženje Aktuara Srbije (Serbia)
Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
Slovensko Aktuarsko Drustvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Col.legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
Svenska Aktuarieföreningen (Sweden)
Association Suisse des Actuaires (Switzerland)
Society of Actuaries of Thailand (Thailand)
Faculty of Actuaries (United Kingdom)
Institute of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
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