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19 September 2008

Tamara Oyre
Assistant Corporate Secretary
IASCF Foundation
30 Cannon Street
London EC4M 6XH

By e-mail to: constitutionreview@iasb.org

Dear Ms Oyre

IASCF Constitution Review

I am writing on behalf of the London Investment Banking Association (LIBA) to comment on the IASCF's July 2008 Discussion Document, *Review of the Constitution: Public Accountability and the Composition of the IASB – Proposals for Change* ("the DD"). LIBA is, as you will know, the principal UK trade association for investment banks and securities houses; a list of our members is attached.

The LIBA Accounting Committee has strongly supported the work of the IASB since its establishment in 2001, and we have closely followed the subsequent discussions over the appropriate governance structure and operating procedures for the IASCF and the IASB. We recognise in particular the concerns that have been raised in recent years, notably in the European Parliament and elsewhere in the EU, over aspects of the public accountability of the IASCF/IASB and over the transparency of the IASB's decision-making processes: irrespective of their merit, we believe these concerns could - if unresolved - pose serious obstacles to the continuing success of the IASB.

We commend the IASCF for the work that has gone into this Review and we support the proposed changes, which should go a long way towards allaying the concerns mentioned above. We would however draw your attention to the recommendations in our responses to Q2 and Q3 below, which we believe would help to underpin the effectiveness of these changes.

Our responses to the specific questions set out on pp. 4-5 of the DD are as follows:

Q1 *Direct link of public accountability to official institutions*

We believe that creating a link to the proposed Monitoring Group will provide a useful adjunct to the existing governance structure, and should help to improve confidence in the public accountability of the IASCF and the IASB.

Q2 *Monitoring Group membership, etc*

While the proposed initial membership of the Monitoring Group appears sensible, we have a concern that four of the seven members will represent regulators: we see this as potentially inconsistent with the IASB's emphasis on meeting the needs of capital providers as the main "Objective of general purpose financial reporting" (see Paragraphs OB1-5 of the May 2008 ED of Chapter 1 of the improved Conceptual Framework). It is important that the *modus operandi* of the Monitoring Group does not permit the presence of this majority to have the (presumably unintended) effect of steering IFRS away from this Objective.

We also note that this membership would "be reconsidered over time". We believe this review process should be made slightly more formal, and we therefore recommend that New Section 22 of the Constitution be amended as follows: "The Monitoring Group shall reconsider its composition *at least every [three] years* relative to its objectives, *and the results of each such reconsideration shall be made public*¹."

Q3 *Monitoring Group mandate, etc*

We support the proposed *modus operandi* of the Monitoring Group as set out in New Sections 18-20 of the Constitution. It follows from our response to Q2 above, however, that we believe it essential that the Monitoring Group does not place the interests and requirements of regulators above those of capital providers; more generally, we believe it is essential that the Monitoring Group does not become involved (and that it be clear that it will not become involved) in the day-to-day deliberations of the IASB on specific standards. We would expect these points to be spelt out in the proposed Memorandum of Understanding describing the interaction of the Monitoring Group with the Trustees, and we strongly recommend that a draft of this Memorandum be made available for public consultation before it is finalised and formally adopted. We similarly recommend that a draft of the Charter which is proposed (in New Section 20) to set out the Monitoring Group's organisational, operating and decision-making procedures, should be made available for public consultation before it is finalised.

Q4 *Trustee Appointments Advisory Group*

We see no continued need for the Trustee Appointment's Advisory Group under the new arrangements; we would, however, not oppose the continuation of such a group if other constituencies were to believe this appropriate.

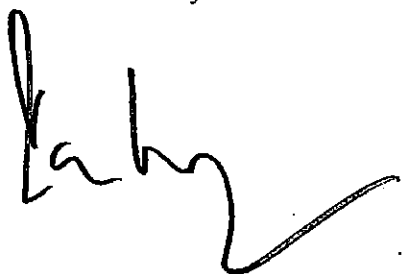
¹ The recommended amendment is shown in italics.

Q5-7 *Changes to IASB membership*

We support the expansion of the IASB's membership to 16 members and the suggested geographical "formulation". We also agree that the Constitution should, as suggested, provide flexibility on the matter of part-time membership.

I hope these comments are helpful. We would of course be pleased to expand on any points which you may find unclear, or where you would like further details of our views.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Harrison', with a long, sweeping horizontal stroke at the end.

Ian Harrison
Director

LONDON INVESTMENT BANKING ASSOCIATION

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Ambrian Partners Limited	Investec plc
Arbuthnot Latham & Co., Limited	Jefferies International Limited
Arbuthnot Securities Limited	JP Morgan Cazenove Ltd
Arden Partners plc	JP Morgan Securities Ltd
Banc of America Securities Limited	KBC Peel Hunt Ltd
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