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September 5, 2008

Ms. Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
30 Cannon Street
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Dear Ms. Oyer

IASCF: Review of the Constitution

Public Accountability and the Composition of the IASB — Proposals for Change—July 2008

The Canadian Institute of Chartered Accountants (CICA), together with the provincial, territorial and Bermuda Institutes/Ordre of Chartered Accountants, represents a membership of approximately 74,000 CAs and 10,000 students in Canada and Bermuda. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the CA profession nationally and internationally. CICA is a founding member of the International Federation of Accountants (IFAC) and the Global Accounting Alliance (GAA).

Financial reporting by publicly accountable enterprises in Canada will be complying with International Financial Reporting Standards (IFRSs) as approved by the International Accounting Standards Board (IASB) with effect for periods beginning on or after January 1, 2011. The CICA supports the move. Also, the CICA supports the achievement of the objective of having a single set of high-quality internationally accepted financial reporting standards.

We appreciate the opportunity to provide our comments on the specific questions raised in the July 2008 proposals on public accountability and the composition of the IASB.

Q1. We understand that a measure of public accountability is desirable, particularly to dispel lingering perceptions that IFRSs are not established to further the public interest and to eliminate impediments to IFRSs achieving the goal of being the world-wide standards for financial reporting. So, while we support the creation of a link to a monitoring group of official institutions, we worry about whether the creation of such a group would also increase the governance and oversight structures to an extent that the whole "edifice" becomes top-

heavy and cumbersome and detracts from the job of standard-setting. We urge the Trustees to adopt as a guiding principle retention of a healthy skepticism that a new modification to the structure needs to be additive and that the existing structures need to be retained.

Q2.The proposed composition of Monitoring Group presupposes that financial reporting standards established by the IASB will be focused on enterprises in the capital markets. It seems to give little attention to the existence of entities that are private companies or not-for-profit organizations. We accept that financial reporting for the capital markets should initially have primacy when developing financial reporting standards. However, to create a public accountability monitoring group which excludes key stakeholders of other sectors would open standard-setting to the criticism that the Trustees are ignoring the needs and interests of private enterprises and not-for-profit organizations that are dominant in a majority of regions throughout the world. We strongly urge the Trustees to consider a broader base of representation for the composition of the proposed Monitoring Group.

Q3.A vital guiding principle of public accountability is that discussions, meetings and agreements are transparent and not kept confidential. The proposals dealing with the respective responsibilities of the Trustees and the Monitoring Group touch on certain agreements and reports that will be made public. However, in our view, the proposals do not go far enough. We strongly urge the Trustees to accept and articulate the guiding principle of openness and transparency within the constitution, in particular in the relationship between the trustees and the proposed monitoring group. Operating in the open will negate the tendency to create an ever increasing number of structures that are charged to review and monitor how the oversight responsibilities of the already existing structures are discharging their responsibilities to review and monitor standard-setting activities to ensure that the public interest is being served.

Q4.Consistent with our view that the Trustees should assess the need for existing structures, we suggest that the Trustee Appointments Advisory Group is no longer needed because its work is duplicative. Openness and transparency, in our view, provides the best assurance that decisions on appointments and governance activities are made to serve the public interest. We support the elimination of the Advisory Group.

Q5.We completely agree with the guiding principle that the IASB should not be dominated by any particular constituency or geographic interest and with the eight selection criteria identified in the annex to the constitution. However, we do not agree that the reasons given in paragraph 25 of the Discussion Document are strong reasons for increasing the size of the IASB or for having geographical quotas supersede the selection criteria. The need for liaison, providing legitimacy in the eyes of adopters and enabling new perspectives are all valid factors in determining the profiles and roles of the whole standard setting activity that includes the Trustees, the Standards Advisory Committee, IFRIC and staff as well as the IASB. In our view, increasing the number of members on the IASB is no more than an



excuse for postponing difficult decisions on the optimum size, composition and profile for the membership of the IASB. Increasing the size will not reduce the workload of the IASB, but could potentially make it a much more cumbersome decision making body when establishing standards. Nor will the addition of two members by itself increase the liaison activities and the diversity and legitimacy issues articulated in the proposals. Indeed, we wonder if the IASB should be reduced to 12 members who would more clearly all meet the selection criteria leaving the factors of diversity and legitimacy to be met by the activity as a whole.

Q6. For the reasoning provided in our comments to question 5, we are generally opposed to any fixed geographical formulation that sets quotas on member selection. We believe that the guiding principles and selection criteria are all the guidance that would be needed by the Trustees in their selection of a broadly-based membership for the IASB.

Q7. We support the suggestion that the Constitution be flexible on part-time membership, particularly its retention for academic members.

On behalf of the Canadian CA profession, I would like to thank you for providing us with the opportunity to comment on the proposals. Please do not hesitate to get back to me if you have any questions or need clarification on any of the comments made.

Yours truly,

Kevin J. Dancey, FCA
President and Chief Executive Officer