

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

4 December 2009

Dear Sir

IASC Foundation - Part 2 of the Constitution Review - Proposals for Enhanced Public Accountability

We are pleased to comment on the IASC Foundation's proposals set out in the above document, on behalf of BDO International.

As noted in the attached Appendix, we support the majority of the IASCF's proposals. However, we believe that certain of the proposals should be enhanced further, in particular the rationale for the geographic source of IFRS Board members, and the process through which the IFRS Board's agenda is set.

We also consider that the review might usefully go further, and suggest that further consideration is given to the following areas:

Geographic representation

The IASCF and the IFRS Board have, to date, been based solely in London in the UK. While this might be retained as the central location in at least the medium term, it is likely to be appropriate to consider opening offices in other geographic locations, in particular as the next 'wave' of countries adopts IFRS during the period from 2010 to 2014 (and beyond).

While the practicalities around such a move would need to be considered, in particular the cost and how the associated funding might be generated (see comments below), we consider that it will ultimately be appropriate for the IFRS Board, as global accounting standard setter, to have appropriate representation in a number of key international jurisdictions.

Strategic direction

A key issue under discussion is the question of the primary users of financial statements. Some believe that the requirements of prudential regulators should be given greater weight, while others consider that the needs of investors and other providers of finance should be the primary driver. We believe that the latter view is appropriate, and note that in many cases prudential regulators are capable of requiring entities to provide additional financial information, an ability which is not shared with investors and at least some providers of finance. It would be appropriate for this primary driver to be made explicit in the constitution.

Funding

The global financial crisis, and other factors, have resulted in a shift in (and in some cases the elimination of certain of) the sources of funding for the IASCF and, in the context of the likely future requirements of the organisation, additional funding will need to be sought.

While it will ultimately be a question to be dealt with on a jurisdictional basis, we note that some National Standard Setters have been funded by a levy which is payable by all listed entities. This has the advantage of separating, at least to an extent, the sources of funding from regulatory or political influence. The IASCF might consider exploring how a similar model could be implemented in a range of jurisdictions in which IFRS has been, and will soon be, adopted. Consideration might also be given to the approach which might be adopted in jurisdictions which have adopted the IFRS for SMEs.

Timing of the next review by the Trustees

We note that the next review of the Constitution is required to be carried out after a period of five years. While we acknowledge that the Trustees are free to carry out a review after a shorter period, we suggest that in the context of the IASB's very significant work programme with many new standards to be issued by mid 2011, the continued calls from the G-20 and others for a single set of high quality global accounting standards, and the substantial increase in jurisdictions that will have adopted IFRS within the next 3-5 years, the Trustees should consider an initial requirement for a further review after a shorter period (say, three years). We believe that such a time period would enable the Trustees to carry out a review of the effectiveness of changes that are being implemented now, while also being able to make appropriate changes to the IASCF and IFRS Board that are, at the time, consistent with what will be required of a global standard setter. The initial, shorter, time period might be extended (possibly to five years) at a later date, if considered appropriate.

We hope that our comments and suggestions are helpful. If you would like to discuss any of them, please contact Andrew Buchanan at +44 (0)20 7893 3300.

Yours faithfully

BDO Global Coordination B.V.

Appendix

Question 1

The Trustees seek views on the proposal to change the name of the organisation to the 'International Financial Reporting Standards Foundation', which will be abbreviated to 'IFRS Foundation'.

The Trustees also seek views on the proposal to mirror this change by renaming the International Accounting Standards Board (IASB) as the International Financial Reporting Standards Board, which will be abbreviated to 'IFRS Board'.

Do you support this change in name? Is there any reason why this change of name might be inappropriate?

We agree that the proposed change is appropriate.

Question 2

The Trustees seek views on the proposal to replace all references to 'accounting standards' with 'financial reporting standards' throughout the Constitution. This would accord with the name change of the Foundation, the Board and the formal standards developed by the IASB-International Financial Reporting Standards (IFRSs).

Do you support this change?

While we do not object to the change, we believe that it is important that any changes made do not have the potential to introduce confusion. In consequence, the changes should make it clear that the reference to 'financial reporting standards' includes not only the IFRSs and IFRICs which have been issued by the IASB, but also the IASs and SIC interpretations that were issued by the IASB's predecessor body.

Question 3

The Trustees seek views on their proposal to change section 2 as follows:

The objectives of the ~~IASB~~ IFRS Foundation are:

- (a) to develop, in the public interest, a single set of high quality, understandable, ~~and enforceable and globally accepted accounting~~ financial reporting 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;*
- (b) to promote the use and rigorous application of those standards;*
- (c) in fulfilling the objectives associated with (a) and (b), to take account of emerging economies and, as appropriate, the special needs of small and medium-sized entities ~~and emerging economies~~; and*
- (d) to bring about convergence of national accounting standards and ~~International Accounting Standards and~~ International Financial Reporting Standards ~~(IFRS,~~*

~~being the standards and interpretations issued by the IFRS Board)~~ to high quality solutions.

Do you support the changes aimed at clarity?

Although we support most of the proposed changes, we do not consider that there is a need to make specific reference to emerging economies. We note that the Board already includes a number of members from both developed and emerging economies.

As noted in our covering letter, we believe that explicit reference should be made to financial statements prepared in accordance with IFRSs being intended primarily for investors and other providers of finance.

Question 4

The Trustees seek views on the proposal to amend section 3 of the Constitution as follows:

The governance of the ~~IASC~~ IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. A Monitoring Board (described further in sections 18-23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they ~~are empowered to~~ may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of ~~all~~ the Trustees.

Do you support this clarifying amendment?

We support the proposed amendment.

Question 5

The Trustees seek views on the proposal to amend section 6 of the Constitution as follows to include one Trustee from each of Africa and South America:

All Trustees shall be required to show a firm commitment to the IFRS ~~IASC~~ Foundation and the IFRS Board ~~IASB~~ as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global ~~accounting~~ financial reporting standards developed for use in the world's capital markets and by other users. The mix of Trustees shall broadly reflect the world's capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:

- (a) six Trustees appointed from the Asia/Oceania region;*
- (b) six Trustees appointed from Europe;*
- (c) six Trustees appointed from North America, ~~and~~*
- (d) one Trustee appointed from Africa;*

(e) one Trustee appointed from South America; and

(f) ~~(d)~~ two ~~four~~ Trustees appointed from any area, subject to maintaining ~~establishing~~ overall geographical balance.

Do you support the specific recognition of Africa and South America?

We agree that it is important for the geographic balance of the Trustees to reflect the broad range of constituencies that have adopted (or will soon adopt) IFRS. However, we believe that it is important for flexibility to be retained, in order that an appropriate balance of geographic representation, and technical and other attributes, is retained.

Consequently, we suggest that there should be an aim (rather than an absolute requirement) to achieve the geographic balance proposed, subject to the requirement that each Trustee should have an appropriate background and skill set. We also believe that there should be a periodic reassessment of the composition of the Trustees, in order that they have appropriate geographic representation.

In addition, it would be helpful for an explanation to be given of how the geographic balance of representation has been reached, whether this is in the context of the actual use (or planned short term adoption) of IFRS or otherwise.

Question 6

The Trustees seek views on the proposal to amend section 10 of the Constitution as follows to allow up to two Trustees to be appointed as vice-chairmen of the Trustees.

The Chairman of the Trustees, and up to two Vice-Chairmen, shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. With the agreement of the Trustees, regardless of prior service as a Trustee, the appointee may serve as the Chairman or a Vice-Chairman for a term of three years, renewable once, from the date of appointment as Chairman or Vice-Chairman.

Do you support the constitutional language providing for up to two Vice-Chairmen?

We agree that it is appropriate to seek ways in which the demands placed upon the Chairman can be shared, particularly in view of the substantial number of jurisdictions that are due to adopt IFRS during the period 2011 to 2014 (and beyond).

In addition to the proposal, consideration might be given to splitting the role of the Chairman into two (in a similar way to which the roles of Chief Executive Officer and Chief Operating Officer are often split by corporate entities).

Question 7

The Trustees seek views on the proposal to make no specific amendments to sections 13 and 15, but to address the valid and important concerns raised by commentators by way of enhanced accountability, consultation, reporting and ongoing internal due process improvements.

We agree with the proposal.

Question 8

Section 28 would be amended as follows:

The IASB IFRS Board will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters and other official bodies ~~concerned with an interest in~~ standard-setting in order to assist in the development of IFRS and to promote the convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards IFRSs.

Do you support the changes aimed at encouraging liaison with a broad range of official organisations with an interest in accounting standard-setting?

We agree with the proposed changes, in particular that there should be no specific reference to any particular body.

Question 9

The Trustees seek views on the proposal to amend section 30 of the Constitution as follows to permit the appointment of up to two Board members to act as vice chairmen of the IASB.

The Trustees shall appoint one of the full-time members as Chairman of the IASB IFRS Board, who shall also be the Chief Executive of the IASB IFRS Foundation. ~~One Up to two of the full-time members of the IASB IFRS Board shall~~ may also be designated by the Trustees as a Vice-Chairman, whose role shall be to chair meetings of the IASB IFRS Board in the absence of the Chairman or to represent the Chairman in external contacts in unusual circumstances (such as illness). The appointment of the Chairman and the designation as Vice-Chairman shall be for such term as the Trustees decide. The title of Vice-Chairman would not imply that the ~~individual member~~ member (or members) concerned is (or are) the Chairman-elect.

We agree with the proposal.

Question 10

The Trustees seek views on the proposal to amend section 31 to allow for altered terms of appointment for IASB members appointed after 2 July 2009.

The proposed amendment is to allow for Board members to be appointed initially for a term of five years, with the option for renewal for a further three-year term. This will not apply to the Chairman and Vice-Chairman, who may be appointed for a second five-year term. The Chairman or Vice-Chairman may not serve for longer than ten consecutive years.

The proposed amendments to section 31 are as follows:

Members of the IASB IFRS Board appointed before 2 July 2009 shall be appointed for a term of up to five years, renewable once for a further term of five years. Members of the IFRS Board appointed after 2 July 2009 shall be appointed initially for a term of up to five years. Terms are renewable once for a further term of three years, with the exception of the Chairman and a Vice-Chairman. The Chairman and a Vice-Chairman

may serve a second term of five years, but may not exceed ten years in total length of service as a member of the IFRS Board.

Do you support the change in proposed term lengths?

On balance, we support the proposals. It is appropriate for the initial term of appointment of an IFRS Board member to be of sufficient duration to ensure the independence of that individual. A shorter term might bring the associated risk of external influence, as the individual might otherwise look for a subsequent appointment with another organisation shortly after being appointed to the IFRS Board.

In that context, a subsequent period of appointment of three years might be viewed as being short, and consideration might be given to the initial period of appointment being for four years, with a second potential period of appointment being for a further four years.

Question 11

The Trustees seek views on the proposal to insert in section 37 (to become section 38) of the Constitution an additional subsection as follows to allow the Trustees, in exceptional circumstances, to authorise a shorter due process period. Authority would be given only after the IASB had made a formal request. The due process periods could be reduced but never dispensed with completely.

The IASB IFRS Board shall:

(a) ...

(b) ...

(c) in exceptional circumstances, and only after formally requesting and receiving prior approval from the Trustees, reduce, but not eliminate, the period of public comment on an exposure draft below that described as the minimum in the Due Process Handbook.

We agree that in exceptional circumstances, the period for public comment should be capable of being reduced. This might arise, for example, if an error was found in a recently issued standard that needed urgently to be corrected. However, in all cases, we believe that a minimum period of consultation should be required, and so do not agree with the proposed amendment in this respect. In the context of the need for constituents to be given sufficient time to give appropriate consideration to their responses, which for some will require the proposals issued by the IFRS Board to be translated into languages other than English, we believe that this period should never be less than 30 days.

Question 12

The Trustees seek views on the proposal to amend section 37(d) (to become section 38) of the Constitution as follows to expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda.

The IASB IFRS Board shall:

~~(c)~~(d) have full discretion in developing and pursuing the technical agenda of the IASB IFRS Board, after consulting the Trustees (consistently with section 15(c)) and the SAC (consistently with section 44(a)), and over project assignments on technical matters: in

organising the conduct of its work, the ~~IASB~~ IFRS Board may outsource detailed research or other work to national standard-setters or other organisations;

While we agree that the IFRS Board should, ultimately, have discretion over its agenda, we also believe that the process through which it reaches a conclusion over its agenda needs to be strengthened.

In particular, we believe that the SAC has a key role to play, and that its input to the IFRS Board's agenda setting process should be enhanced. While we note that the Board is already required to consult the SAC, it would be appropriate for the SAC to be asked to consider and comment on the Board's proposals.

In addition, we consider that it would be appropriate for agenda proposals to be exposed for public comment. This is particularly the case where the IFRS Board is planning its agenda for a substantial period into the future, in order that there is appropriate engagement with a broad range of constituents.

We also note that the current IASB agenda is extremely full, and will present challenges not only for the Board and Staff, but also for constituents and preparers. We believe that the Trustees should also have a role, in conjunction with the SAC, in ensuring that the agenda is manageable and appropriately prioritised.

Question 13

Trustees seek views on the proposal to make no amendment to sections 44 and 45 (renumbered as 45 and 46), which are the provisions relating to the SAC, at this time.

We are supportive of the changes that have been made to the SAC, and agree that an insufficient period has elapsed since the reconstitution of the SAC for there to be changes at this point.

Question 14

The Trustees seek views on the proposal to amend section 48 by removing specific staff titles and replacing it with the term 'the senior staff management team'. Accordingly section 49 should be deleted.

The Trustees also seek comment on the proposal to update the Constitution by removing all historical references that relate to when the organisation was established in 2001.

We agree with the proposals, as these will provide additional flexibility for the organisation to be adapted to take account of necessary changes. As IFRS continues to extend its global reach, it will be appropriate for the IFRS Board to make appropriate changes to adapt to its circumstances. This might include, for example, the opening of additional offices in key geographical areas, changes to the management structure of the organisation, and the appointment of additional senior management members.