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31 March 2009

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

By email to: constitutionreview@iasb.org.

Dear Ms Oyre

IASCF Discussion Document: Review of the Constitution

I am writing on behalf of LIBA (the London Investment Banking Association) to comment on the IASCF's 8 December Discussion Document: Review of the Constitution – Identifying Issues for Part 2 of the Review (the “DD”). LIBA is, as you know, the principal UK trade association for firms active in investment banking and securities trading; a list of our members is attached.

While it will be evident from our comments below that our members have considerable confidence in the IASB's due process, we welcome the current Review as a vehicle for airing, and addressing, concerns raised by other stakeholders. We believe, however, that such concerns are most likely to be allayed by the Board's continuing and constructive engagement, both formal and informal, with all significant stakeholders, rather than by any substantive changes to the Constitution.

The adoption by the EU in 2002 of the IAS Regulation, under which all EU listed companies have been required to report under IAS (now IFRS) from 2005, was probably the single most important event in the development of the IASB as it is today. While many other countries have subsequently also adopted IFRS and still others, most notably including the US, are considering moves in that direction, it seems likely that EU companies will form the largest group of IFRS reporters, when measured by market capitalisation, for some time to come. At least for the medium term, maintaining credibility across the EU is therefore likely to remain extremely important for the IASB. It follows, we believe, that any suggestions from significant EU stakeholders of possible shortcomings in the IASB's due process should be considered with particular care and should receive a full and detailed response.

Our responses to the specific questions on pages 6-8 of the ED are set out below.

Objectives of the organisation

- 1. Does the emphasis (of the Constitution) 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?**

We agree that this emphasis remains appropriate.

- 2. Should the Constitution make specific reference to the emphasis on a principle-based approach?**

We believe it would be helpful for the Constitution to make specific reference to the underlying principle-based approach.

- 3. 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 organisation. The Trustees would appreciate views on this point and indeed whether the IASB should extend its remit beyond the current focus of the organisation.**

We believe the IASB has been correct in limiting its focus so far on reporting by private sector companies. To the extent that it may now be felt appropriate to extend this focus to other types of entity, it is essential that any such extension does not compromise the considerable amount of work that remains to be done for private sector companies.

- 4. Should the Constitution be amended to allow for the possibility of closer collaboration with a wider range of organisations, whose objectives are compatible with the IASC Foundation’s objectives? If so, should there be any defined limitations?**

It could be helpful to amend the Constitution in this way to allow for closer collaboration with other organisations, such as other standard-setting and regulatory bodies, provided however that any such extension does not result in any dilution of the IASB’s standard-setting authority.

Governance of the organisation

- 5. 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.**

Consistent with the view expressed in our 19 September 2008 letter commenting on the July 2008 Discussion Document, we believe that the role of the Monitoring Group, and the Memorandum of Understanding setting out its interaction with the Board, should be exposed for public consultation. Once consensus has been reached, these points should be reflected in an appropriately modified version of Section 3.

Trustees

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

The geographic distribution set out in Section 6 should be subject to review from time to time to ensure that it continues broadly to reflect “the world’s capital markets and a diversity of geographic and professional backgrounds”. More importantly, it should be made explicit that satisfying the geographic distribution condition should not be subordinate to the overriding criteria for appointment as a Trustee which are set out in Section 6: “firm commitment to the IASC Foundation and the IASB as a high quality global standard-setter”, financial knowledge, and the “ability to meet the time commitment”.

- 7. 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 organisation. 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.**

We find the responsibilities set out in Sections 13 and 15 to be sensible, and we believe they broadly achieve a proper balance between independence and “sufficient due process and consultation”. As noted above, however, there have been suggestions that some classes of stakeholders have less confidence in the effectiveness of these measures and it is of course entirely possible that similar concerns will arise in the future. It is therefore important that these key provisions are subject to review from time to time to ensure that confidence in the Board’s integrity and independence is sustained at as high a level as possible.

- 8. The Trustees would welcome comments on the progress and the future of the organisation’s financing.**

We have no comment on the organisation’s financing.

International Accounting Standards Board

- 9. The Constitution gives the IASB ‘full discretion in developing and pursuing its technical agenda’. The Trustees ... 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.**

We believe it is essential to the future success of the IASB, and hence to continued progress towards “a single set of high quality, understandable and enforceable global accounting standards” that the Board retain full discretion over its technical agenda as well as demonstrable independence from political pressures. It is however also essential that the Board retain maximum credibility with all its key stakeholders, and it must

therefore make every effort to ensure that criticisms from any stakeholder group receive, and are seen to receive, full and balanced consideration.

- 10. 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*.**

We believe, as indicated above, that the IASB's procedures are sensible, balanced and effective; we also believe that they have been significantly improved over recent years through the enhancements mentioned in the question, as well as the greater use of roundtables and other supplementary ways, both formal and informal, of obtaining input from those with particular knowledge of, and/or interest in, specific technical issues. Consistent with our remarks at the beginning of this letter, we believe further improvement is more likely to come through continued evolutionary development of current processes than through any more formal changes to the defined procedures.

- 11. 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?**

A separate "fast track" procedure could be a useful weapon in the Board's armoury, as has been demonstrated by its rapid response to some of the problems exposed by the current financial crisis. A fast track process, however, typically results in more limited consultation, and the Constitution should therefore make it clear that its use must be restricted to genuinely exceptional situations; the Board must, moreover, always ensure that a reasonable minimum period is provided for public consultation.

Standards Advisory Council

- 12. 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?**

We feel the SAC has a useful role to play in providing a forum for the public discussion of IASB agenda decisions, priorities and major projects, but we have no comments on its current effectiveness.

- 13. 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?**

We have no comments on the SAC terms of reference.

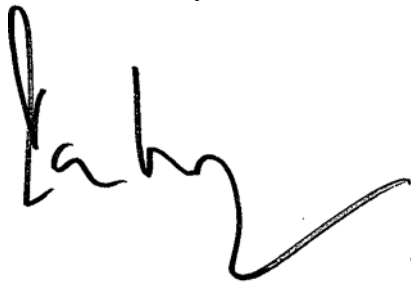
Other issues

14. Should the Trustees consider any other issues as part of this stage of their review of the Constitution?

We believe the key issues have been covered in this review.

I hope the above comments will be helpful to IASCF and IASB in deciding how to take this work forward. We would of course be very pleased to expand on any points which you may find unclear.

Yours sincerely

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

Ian Harrison
Director

LONDON INVESTMENT BANKING ASSOCIATION

LIST OF MEMBERS

ABN AMRO Bank	ING Bank NV London Branch
Altium Capital Limited	Instinet Europe Ltd
Ambrian Partners Limited	Investec plc
Arbuthnot Banking Group PLC	Jefferies International Limited
Arden Partners plc	JP Morgan Cazenove Ltd
Banc of America Securities Limited	JP Morgan Securities Ltd
Barclays Capital	KBC Peel Hunt Ltd
BlueOar Securities Plc	Lazard & Co., Limited
BNP Paribas	Libertas Capital Group plc
Brewin Dolphin Securities	Merrill Lynch Europe plc
Calyon	Mizuho International plc
Canaccord Adams Limited	Morgan Stanley & Co. International plc
Cantor Fitzgerald Europe	NCB Stockbrokers Limited
Cenkos Securities Limited	Noble & Company Limited
CIBC World Markets	Nomura Code Securities Limited
Citigroup Inc.	Nomura International plc
Close Brothers Corporate Finance Ltd	N M Rothschild & Sons Limited
Collins Stewart Europe Limited	Numis Securities Limited
Credit Suisse Securities (Europe) Ltd	Oriel Securities Limited
Daiwa Securities SMBC Europe Limited	Panmure Gordon & Co
Deutsche Bank AG London	Piper Jaffray Ltd
Dresdner Kleinwort	Royal Bank of Canada Europe Limited
Evolution Securities Limited	Sanford C. Bernstein Limited
Fox-Pitt Kelton Limited	Société Générale
Goldman Sachs International	3i Group plc
Greenhill & Co. International LLP	UBS AG London
HSBC Bank plc	Winterflood Securities Limited

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