



The World Bank
Washington, D.C. 20433
U.S.A.

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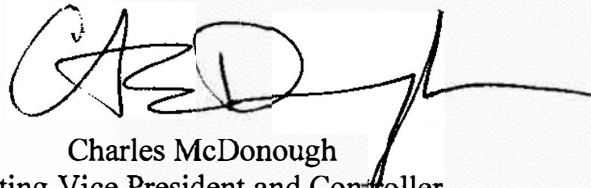
Ms. Tamara Oyre
Assistant Corporate Secretary
IASC Foundation

Dear Ms. Oyre,

The World Bank is pleased to comment on *Part 2 of the Constitution Review, Proposals for Enhanced Public Accountability*. At this time it is particularly important for the Trustees to continue to demonstrate leadership in addressing the concerns of key stakeholders, to reposition the organization to strengthen its commitment to serving the public interest, and to ensure the independence of the standard setting process from undue political influences.

Our detailed comments follow.

Sincerely,



Charles McDonough
Acting Vice President and Controller

Specific Responses**Question 1**

The Trustees seek views on the proposal to change the name of the organization 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 do not agree with the proposed change to the name of the organizations. Not only is "IFRS Board" slightly more cumbersome, but also the "IASB" brand name is strong and well recognized and therefore should not be modified at this time. It is not necessary to conform the name of the board (or the foundation) to the current name of the pronouncements issued. It is possible that in the future the particular name of the pronouncements issued may change (for example if a codification approach is later adopted) and we do not think it useful to repeatedly modify the name of the organization every time the nomenclature of its output changes.

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?

Yes.

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 (IFRSs, being the standards and interpretations issued by the IFRS Board) to high quality solutions.

Do you support the changes aimed at clarity?

As we stated in our previous comment letter, we believe that specific references to "the special needs of small and medium-sized entities and emerging economies" is outdated and that language such as "to take

account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings” is more appropriate. We would urge that the Trustees reconsider this suggestion.

Also, while we note that the Trustees have concluded that there is still significant work required to fulfill their existing private sector mandate and therefore they have decided to retain the emphasis on “capital market participants” we still encourage the Trustees to set as a longer term goal an expansion of the scope and focus of the organization to embrace public sector entities, or to expand the scope of IFRS standards to address accounting issues commonly found in the public and not for profit arenas as well as in the private sector (for example non-exchange transactions).

Question 4

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

The governance of the IASB 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?

Yes.

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 IASB 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?

Yes we strongly support recognition of Africa and South America. Further, to address the comments raised about the inclusion of the Caribbean we would suggest a modified formulation as follows:

(e) one Trustee appointed from South America/Central America/Caribbean region

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?

Yes, however we believe that the wording above may be subject to misinterpretation and that a clarifying statement should be made to indicate that in no case shall the appointee serve more than six years of total service in either of these roles, combined (i.e. to indicate it is not possible to serve *two* terms as Vice Chairman and then a term as Chairman).

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 that many of the matters raised should remain priorities, but may not necessitate constitutional change.

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 IFRSs 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 reiterate our earlier comment that the previous formulation of the Constitution appeared to permit the desired collaboration, the revised language does not appear to achieve anything different and therefore is not necessary, but not harmful either.

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 (or members) concerned is (or are) the Chairman-elect.

No Objections.

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?

Yes.

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 continue to object to the suggestion that an additional “fast track” procedure is appropriate or necessary. It will be problematic to define what “exceptional circumstances” are and could be subject to misuse. We are concerned that external pressures on the Trustees to bypass or dramatically reduce the due process period beyond that already provided for (30 days) could undermine the integrity of the process and the Board’s reputation.

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;

We agree with the proposed changes and are pleased that no further constraints were placed on the agenda setting power of the Board as we would fear inappropriate interference, particularly in the heightened political environment into which the agenda setting has been thrust. We also continue to believe that the transparency of the IFRIC agenda setting process, whereby explanations are publicly available regarding the rationale of not taking up a proposed agenda item, could be a useful approach for the Board as well. This would increase transparency and accountability.

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 agree that the new formulation of the SAC should have time to play out before any further modifications are contemplated and that further changes at this stage would be premature.

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.

Agree.