

Friday, November 27, 2009

Tamara Oyre
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Via email: toyre@iasb.org

Dear Sir or Madam:

IASB Foundation Proposals for Enhanced Public Accountability

The Committee on Corporate Reporting of Financial Executives International Canada (FEI Canada) is pleased to submit its comments in response to the IASB Foundation Proposals for Enhanced Public Accountability.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 2,000 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

The Committee on Corporate Reporting (CCR) is one of two national advocacy committees of FEI Canada. CCR comprises more than 30 senior financial executives representing a broad cross-section of the FEI Canada membership and of the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of issues related to accounting, corporate reporting and disclosure. In addition to advocacy, CCR is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

We support the statement on page 4 "The IASB should be appropriately protected from particular national, sectoral or special interest pleading. At the same time, the Trustees have recognised, and continue to recognise, the need to demonstrate the organisation's public accountability and to be open to dialogue with all stakeholders." Improvements in these areas will strengthen the integrity of the accounting standard-setting process. In general we support the overall direction the Part 2 review has taken. What follows are our responses to the specific questions raised in the Invitation to Comment.

Question 1 – change in names

We support the change in name and agree there are benefits in consistency between the name of the organization and the product produced. However, we also caution that the use of the broader term "financial reporting standards" may create an expectations gap. While the IASB is currently completing a project on Management Commentary, given the current slate of complex projects on its agenda it will likely be difficult to add projects of a broader financial reporting nature in the next few years. Clear communication of the scope of projects that are likely to be taken on in this timeframe will be important.

With this change however, we ask that the board consider the implications of this change on other authoritative literature and legislation that currently refer to the IASB.

Question 2 – changes to Section 2

We agree there are benefits in using the term “financial reporting standards” consistently throughout the Constitution.

Question 3 – editorial changes to the objectives

We support the proposed changes. However, while we agree that the IASB’s work on standards for profit-oriented entities currently needs to take precedence, the IASB should plan to eventually address accounting for not-for-profit organizations. In many countries not-for-profit organizations are a significant part of the economy and several unique accounting issues arise from their non-profit nature. In addition, a number of major not-for-profit organizations are becoming global. Smaller not-for-profit organizations are somewhat similar to private companies and similar arguments can be made for a single international standard for this sector.

Question 4 – changes to Section 3

A basic principle of good governance is to clearly identify where the governance responsibility lies. The statement “The governance of the IASB IFRS Foundation shall primarily rest with the Trustees” results in a lack of clarity and opens the door to potential confusion and lack of accountability for governance. It raises the questions as to who else does the governance of the Foundation rest with. We recommend that the board reconsider this change.

Question 5 – regional balance of trustees

Given these emerging markets, we support the need for trustee representation from Africa and South America. However, we suggest that South America be changed to Central and South America so as not to exclude Central American countries. We also question whether one trustee for each of South America and Africa is sufficient given the potential for growth in these markets.

Question 6 – two vice chairs of the Trustees

We support the creation of these new positions to assist the Chair. We do however recommend that the duties of the Vice-Chair positions be clearly defined in order to ensure the effectiveness of the role and to avoid duplication.

Question 7 – Accountability

We agree no change to the constitution is necessary. We believe the role of the trustees is sufficiently clear and that the issues raised pertain to how the trustees fulfill their role in the constitution rather than what that role is.

Question 8 – liaison with other bodies

We do not disagree with the proposed change on the subject of the IASB’s liaison with other bodies. However, we note that there is nothing preventing the IASB from doing this now and we are not clear as to whether this wording change will in fact accomplish anything. The key issue is the effectiveness of this liaison. Effectiveness cannot be built into the constitution but rather forms part of the way the board executes its responsibility. Therefore, we recommend that broad operating principles, guidelines, and

policies be developed and reviewed with the Trustees and an ongoing stewardship mechanism be established.

Question 9 – 2 vice chairs for the IASB

Given the international scope of the Board, there is a practical benefit in having 2 vice-chairs who can assist the chair in representing the board at meetings around the world. As with our response to question 6, we recommend the duties of the Vice-Chair positions be clearly defined in order to ensure the effectiveness of the role and to avoid duplication of duties.

Question 10 – length of terms

There is no “right” answer to the tenure for these positions. However, the current terms appear to be working and do not seem unreasonable. The board has taken steps to ensure the members meet with constituents on an ongoing basis in order to “stay in touch” with the realities of the changing needs of the business world. This requirement is better achieved through improved IASB member accountability, through defined roles and responsibilities with performance reviewed on an annual (“periodic”) basis and consequences for failure to execute their duties.

Question 11 – ability to shorten due process period

We strongly object to this proposal. As a practical matter it is difficult for companies to undertake an appropriate level of analysis of (often complex) accounting proposals and to develop a well argued response to the IASB within the current minimum permitted comment period of 30 days. Indeed, our experience is that any exposure period of less than 60 days adversely affects the ability of companies to respond and we would strongly recommend a minimum exposure period of 60 days. Companies have many priorities and cannot always instantly divert their accounting (and possibly business) expertise to responding to IASB proposals. The result of unreasonably short comment periods is that companies are not able to give appropriate consideration to the proposals and the IASB does not receive appropriate input – the “due process” risks becoming a sham. Further, we fear that short comment periods may affect the credibility of the IASB and of IFRSs, since the process of developing standards becomes open to question. Certain constituents will disagree with almost any standard – it is therefore critical that the integrity of the process be maintained.

Question 12 – agenda setting

We agree with the proposed changes to require the IASB to consult with the trustees and the SAC in setting its agenda. It is important that constituents have an avenue to input to the IASB agenda decisions and the renewal of the SAC provides a good mechanism for this. However, there should be a process where constituents more broadly have the opportunity to provide input to agenda discussions.

The board should seek input not only on what goes on the agenda but on how much. This is not only a question of the board’s capacity but also the capacity of constituents to provide well thought-out comments on proposed new standards and their capacity to adopt them effectively.

Some of these issues may be better addressed in the due process handbook, rather than in the constitution

Question 13 – SAC

We agree it is too early to consider changes here.

Question 14 – other changes

We agree with these changes.

We hope that our comments will be useful to the IASC in its deliberations. If you have any questions or would like to discuss any of these matters, please do not hesitate to contact us.

Yours very truly,



Victor Wells
Chair
Committee on Corporate Reporting
FEI Canada

Copy: Mr. Peter Martin, Accounting Standards Board (Canada)