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Tamara Oyre
International Accounting Standards Committee Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

30 November 2009

Dear Ms. Oyre:

We appreciate the opportunity to comment on the International Accounting Standards Committee Foundation's (IASCF's or Foundation's) Discussion Document, *Part 2 of the Constitution Review: Proposals for Enhanced Public Accountability* (the "DD"). Since our adoption of IFRS approximately 10 years ago, we have watched with excitement as an increasing number of countries have recognized the benefits of IFRS—a set of high quality, understandable global accounting standards—and thus decided to mandate the adoption of IFRS in their respective jurisdictions. We believe that the US Securities and Exchange Commission's 2008 decision to propose a formal plan for the eventual use of IFRS by all publicly listed companies in the US is a key milestone on the path to complete global recognition of IFRS. We fully support the Foundation's continuing efforts to strengthen its Constitution and enhance its public accountability.

We believe that the global financial crisis has placed a tremendous amount of pressure on the Foundation and the IASB. We believe that now more than ever the IASB's independence must be safeguarded to ensure that the objective of the Foundation and the IASB is achieved: that is, the development of high quality accounting standards that provide users with the necessary information they need to make economic resource allocation decisions. We encourage the Trustees to carefully consider any proposed changes to the Constitution that may inadvertently weaken the independent character of the IASB. We have proposed certain amendments to the Constitution in accordance with that objective.

We have responded to the questions proposed in the DD in the Appendix to this letter. We hope that the IASCF Trustees and staff find our comments to be useful. We again thank the Trustees for providing us the opportunity to comment on part 2 of the Constitution review. We would be happy to discuss our comments in more detail; if the Trustees or its staff desire to do so, please contact Ralph Odermatt at +41 44 236 8410 or Mike Tovey at +1 203 719 8164.

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Appendix

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 support the change in name of the Foundation and the Board to increase brand awareness and reduce complexity associated with multiple names.

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?

We support the change in references as that clarifies the meaning of the Constitution.

Question 3

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

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

- 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;
- to promote the use and rigorous application of those standards;
- 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
- 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?

We support the changes designed to further increase the clarity of the Constitution. In our letter dated March 31, 2009, responding to requests for comments on identifying issues for Part 2 of the constitutional review, we noted that the notion of due process should be enshrined within the objectives of the IFRS Foundation. Accounting standards cannot be characterized as high quality unless they are subject to robust due process, including appropriate periods for constituents to fully consider draft proposals and comment on them. Consequently, we believe that the Board should include the phrase "through due process" after "to develop" in section 2(a) of the Constitution.

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?

We understand the reason for this change and do not object to it.

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?

We support the specific recognition of Africa and South America.

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 support such language as we believe that two Vice-Chairmen will better enable the IFRS Foundation to meet its many commitments.

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 do not agree with the proposal to make no changes to sections 13 and 15 of the constitution. The recent financial crisis has demonstrated that accounting standard setters are exposed to significant levels of political risk. High-quality accounting standards are the product of an independent standard setting process that is free of bias and political interference. Such standards result in the fair representation of an entity's economic position and performance. Transparent and understandable financial reporting built on the foundation of independent standard setters following a robust due process is the best mechanism to achieve the high levels of trust necessary to ensure the smooth functioning of global capital markets. We would like to emphasize that the Trustees must serve as the guardians and protectors of the IFRS Board's independence. That independence from all forms of bias and political interference is necessary to ensure that IFRS are recognized and adopted worldwide in every jurisdiction. Given that important role, we believe that it should be explicitly noted in paragraph 13 of the Constitution. We would recommend that the following subparagraph be inserted:

- (a) protect the IFRS Board's independence to thus enable it to produce financial reporting standards that meet the objective of Section 2(a);

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 support the changes noted.

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

Given the great demands on the time of the Chairman of the IFRS Board, we support the changes allowing the appointment of up to two Board members to act as Vice-Chairmen.

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?

We are not opposed to the change in term lengths; however, we do not believe that any such change is necessary. The use of staggered terms provides an appropriate basis for rotation that achieves the necessary degree of diversity and recent practical experience that the IFRS Foundation seeks to achieve by implementing the proposed change. Consequently, the reduction in term lengths seems like an unnecessary redundancy.

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 would support the inclusion of such a clause because it specifically notes that a public comment period cannot be eliminated under any circumstance.

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 are concerned that such a detailed requirement could be used to negatively impact the IFRS Board's ability to control its agenda. For example, if the Trustees decided that as a body it would not consult with the IFRS Board on a particular issue, it could effectively wrest control from the IFRS Board for that particular issue. Therefore, we think that specific language needs to be included that states that the consultation process cannot be used to block the IFRS Board from addressing any particular issue. Additionally, the Trustees and SAC meet infrequently and thus it may be necessary to provide some flexibility in the wording that would permit the IFRS Board to begin project work with consultation occurring at the next scheduled Trustees or SAC meeting.

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 support the proposal to make no amendments to those sections. We believe that the SAC is functioning well and as intended.

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 support the proposals as described.