



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

November 30, 2009

Ms. Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom
(Email: toyre@iasb.org)

Dear Madam

**Re: IAA comments on Proposals for Enhanced Public Accountability, Part 2 of the
Constitution Review**

In response to the request for comments on the *Proposals for Enhanced Public Accountability, Part 2 of the Constitution Review*, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

These comments have been prepared by the Committee on Insurance Accounting of the IAA. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact the chairperson of that committee, Sam Gutterman, or any of the other members of the committee. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Yves Guérard
Secretary General

[Attachment](#): IAA comments

**A Commentary on
PART 2 OF THE CONSTITUTION REVIEW
PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY
ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE FOUNDATION:
SEPTEMBER 2009**

International Actuarial Association

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-two Full Member actuarial associations represent more than 95% of all actuaries practicing around the world and are listed in an Appendix to these comments. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact on the areas of expertise of actuaries.

IAA Commentary

The IAA is pleased with the continued emphasis being placed by the IASCF on continuing to maintain a soundly based constitution. This process of self-review remains important as it continues to increase in importance to the capital markets, regulators and users of financial reports around the world, timely and regular reviews of its fundamental basis and its independence of operation and decision-making. Although we agree with the thrust of all of the proposals, we have several observations and recommendations, included in the response to the questions raised.

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?

IAA Comments: We support this proposed change in name.

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?

IAA Comments: We support this proposed change.

Question 3

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

The objectives of the IFRS Foundation are:

- (a) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted 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 economies and, as appropriate, the special needs of small and medium-sized entities; and
- (d) to bring about convergence of national 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?

IAA Comments: Overall, we agree with the proposed changes. Nevertheless, we believe that the following two additional characteristics should be considered for inclusion in (a):

- auditability
- principle-based.

In addition, we believe that these characteristics should be included in the Conceptual Framework.

Question 4

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

The governance of the 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 may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of the Trustees.

Do you support this clarifying amendment?

IAA Comments: We support this proposed amendment. We suggest clarification of the phrase “minor variations.” First, this should be refined to indicate to what document the minor variations refer, e.g., to the observation of the Constitution. Second, to promote transparency, such variations should be clearly disclosed so that the public can be assured that any such deviations are indeed minor.

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 Foundation and the IFRS Board 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 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;
- (d) one Trustee appointed from Africa;
- (e) one Trustee appointed from South America; and
- (f) two Trustees appointed from any area, subject to maintaining overall geographic balance.

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

IAA Comments: Although we support the spirit of this proposed change, we would like to point out that in specifically listing North America and South America as regions, the region of Mexico and Central America is often given short shrift, often being ignored when candidates from Canada and the United States are being considered, and not included in the South American category. One possible approach would be to include Mexico and Central America in a category, Latin America; this would remind the Trustees that candidates from this region should be considered. Of course, although qualified candidates from this area could also be considered in category f), broadening this area of the world in this manner may avoid overlooking such qualified candidates.

In addition, with the restriction of category f) to two Trustees, the phrase ', subject to maintaining overall geographic balance' could either be deleted as unnecessary or the phrase could be more specific, indicating that these two Trustees may not come from the same category.

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 a Chairman or Vice-Chairman.

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

IAA Comments: Although we agree with the proposal for providing for up to two Vice-Chairmen, the wording could be further refined. For instance, (1) “of the Trustees” could be added after “Vice-Chairmen” in the first line, (2) the first “the” in the fourth line of the proposal might better be “an”, and (3) the wording as it stands might be interpreted to mean that a person could serve two terms as a (non-chairman or Vice-Chairman) Trustee, two terms as a Vice-Chairman and two terms of a Chairman, which we do not believe represents the intent of the proposal.

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.

IAA Comments: We suggest an implementation of a regular self-assessment process of each element of the IFRS Foundation and IFRS Board.

Question 8

Section 28 would be amended as follows:

The IFRS Board will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters and other official bodies 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 IFRSs.

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

IAA Comments: We suggest that the phrase 'official bodies with an interest in standard-setting' be reviewed for clarity. The group of such official bodies could be interpreted to be extremely large. In addition, we suggest the addition of the phrase 'and international' after the word 'national', to include such bodies as the International Auditing and Assurance Standards Board and the International Public Sector Accounting Standards Board.

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 IFRS Board, who shall also be the Chief Executive of the IFRS Foundation. Up to two of the full-time members of the IFRS Board may also be designated by the Trustees as a Vice-Chairman, whose role shall be to chair meetings of the IFRS Board in the absence of the Chairman or to represent the Chairman in external contacts. 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 member (or members) concerned is (or are) the Chairman-elect.

IAA Comments: Although we support the proposed change, “does” rather than “would” in the last sentence might be somewhat more direct.

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 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 in term lengths?

IAA Comments: We support this proposed change.

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 authorize 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 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.

IAA Comments: Although we agree with the intent of this proposal, we believe that, even in exceptional circumstances, there should be a minimum number of days for public review. In particular, the IFRS Board should consider the time needed for non-English speakers to arrange for and properly review a translation of an exposure draft.

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 IFRS Board shall:

- (d) have full discretion in developing and pursuing the technical agenda of the IFRS Board, after consulting the Trustees (consistently with section 15(c)) and the SAC (consistently with section 44(a)), and over the project assignments on technical matters: in organising the conduct of its work, the IFRS Board may outsource detailed research or other work to national standard-setters or other organizations;

IAA Comments: We believe that the SAC should remain the main channel for giving advice to the IFRS Board on its agenda decisions and priorities. In addition, we believe that the IFRS Board should consult on a regular basis (possibly once every three years) in a formal manner with the public, that would include those entities not represented on the SAC, beyond what is currently being done.

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.

IAA Comments: We agree with this proposal. So far, we believe the current SAC is working well and being consulted for advice in a reasonable manner. Nevertheless, since in its current form it has only been operating for a part of the year, we suggest a further review of its provisions prior to the next formal Constitution Review.

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 organization was established in 2001.

IAA Comments: We agree with these proposals.

Members of the IAA Committee on Insurance Accounting

Sam Gutterman	Chairperson
David Congram	Co-Vice-Chairperson
Francis Ruygt	Co-Vice-Chairperson
Gunn Albertsen	Den Norske Aktuarforening
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Full Member Associations of the IAA

Caribbean Actuarial Association
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)
Institute of Actuaries of Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Association Royale des Actuaire Belges (Belgique)
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Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)
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Association Marocaine des Actuaire (Morocco)
Het Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuariuszy (Poland)

Instituto dos Actuários Portugueses (Portugal)
Academia de Actuarios de Puerto Rico (Puerto Rico)
Russian Guild of Actuaries (Russia)
Udruženje Aktuara Srbije (Serbia)
Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
Slovensko Aktuarsko Drustvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Col.legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
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