



Topic

Update on the Constitution Review

1. On 9 September, the IASC Foundation published for public comment proposals that form the second part of a two-part review of the IASC Foundation Constitution. The comment period ends on 30 November. The Trustees have tentatively agreed that they should finalize the second part of the Constitution Review in January 2010. The consultation document is included among the SAC's papers.
2. By the time the Standards Advisory Council meets in November, the Trustees will have held three sets of round-tables—in London on 9 September, in New York on 6 October, and in Tokyo on 21 October. (Only the first two round-tables occurred at the time of this paper being written.) Participants were provided with the consultation document in advance of the meeting to help them prepare. It should be noted that a number of SAC members participated in the round-table discussions.
3. While the three panels at the London round-tables and two in New York represent only a small portion of possible stakeholder comment, a few consistent themes have emerged:
 - Most panelists expressed their support for the great majority of the recommendations, though some emphasized the importance of implementing the spirit of the reforms, particularly regarding Trustee oversight and IASB consultation.
 - The great majority of panelists urged the Trustees to go further and formalise the need for formal public consultation on the IASB's agenda. **One suggestion that received significant support was the idea that the IASB could have a formal consultation every three years.**
 - Many participants, particularly those in London, urged the Trustees to reconsider its decision not to incorporate a commitment to principles-based standards in the Constitution.

This paper has been prepared for discussion at a public meeting of the Standards Advisory Council of the IASB.

The views expressed in this paper are those of the authors.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

SAC meeting

- Many commentators argued that the Trustees' duties should specify the Trustee role in preserving the independence of the standard-setting process.
- Most in London were supportive of the Trustees' proposals on a possible shortened IASB due process, but cautioned on the use of any procedure that would reduce a comment period below 30 days. Some in New York emphasised that 30 days provided sufficient time to undertake any "emergency" revision and worried about the potential pressure for invoking emergency procedures if it were provided for in the Constitution.
- A number of commentators called for dividing the roles of the IASB Chairman and the Chief Executive of the IASC Foundation. Some arguing for this division believed that this would enable the IASB Chairman to focus on his or her primary responsibilities, which should be managing the technical agenda and stakeholder outreach. Others believed that this splitting of roles would be consistent with good corporate governance practice. Some believed a division of these roles to be unnecessary.
- Participants repeatedly highlighted the need for a sustainable funding mechanism that ensures the independence of the standard-setting process.

4. At the SAC meeting, while willing to discuss any issue arising in the consultation document, the Trustees and staff would welcome the SAC's views on the following topics:

- **Agenda-setting:** Are the proposals related to public consultation on the IASB's agenda-setting process appropriate? Do SAC members have any reaction to the proposal for a three-yearly public review?
- **Principles-based standards:** Does the Constitution require a specific commitment to developing standards based on clearly articulated principles, or would such an addition be unnecessary and challenging to articulate appropriately?
- **Potential for emergency procedures:** Do SAC members have a view on the proposal related to potential emergency procedures?