



30 Cannon Street, London EC4M 6XH, England
Phone: +44 (0)20 7246 6410, Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: <http://www.iasb.org>

**International
Accounting Standards
Committee Foundation**

This document is provided as a convenience to observers at IASCF meetings, to assist them in following the discussion.

INFORMATION FOR OBSERVERS

**IASCF Trustees Meeting
Rio de Janeiro 26 January 2010**

Agenda Paper 2

A Cover Note

Proposals for Constitutional Amendments

1. At the Rio meeting, staff is presenting amended proposals for Constitutional change for Trustee consideration. If the Trustees reach consensus on these proposals, the Trustees will conclude the second part of the Constitution Review.
2. This paper provides a summary of the suggested changes and actions. In making these recommendations, staff has taken the views of stakeholders expressed at the public round table meetings and in comment letters into account. A complete analysis of stakeholder opinion is provided as Agenda Paper 2A. Recommendations regarding Constitutional changes are laid out in Agenda Paper 2B.

Themes emerging from the consultation process

3. While there was broad support for the great majority of the Trustee proposals, the Trustees should note the following points (not an exhaustive list) emphasized throughout the comment process:
 - **Desire for more public input in the IASB's agenda-setting process:** Most commentators strongly supported the concept that the IASB should have ultimate determination over its own technical agenda. At the same time, a strong majority called for the Trustees to go further than the original proposal and require the IASB to have some form of public consultation on its agenda.

- **Continued desire for more feedback from the IASB:** Many commentators, especially European commentators, expressed their concern that despite the robust procedures in place, the IASB should better demonstrate how it takes into account stakeholder input. This should include enhanced feedback to stakeholders. It is not clear whether these commentators were taking into account the newly created requirement for feedback statements and post-implementation reviews.
- **A feeling that the Trustees should be more visible and active in their oversight function:** Most participants thought that the constitutional provisions for Trustee oversight of the IASB were sound, but that the operational aspects of those provisions (benchmarks, etc) should be documented to enable stakeholders to assess whether the Trustees (and Monitoring Board) are providing appropriate robust oversight of the IASB.
- **Concern regarding the operation of an expedited due process procedure:** Significant concern was expressed that the current 30-day due process was the bare minimum that constituents, especially representative organizations, could reasonably be expected to consult and formulate a thoughtful response to a proposal. At the same time, even many of those opposed to a shortened due process, recognized the possible need for such a procedure.
- **A desire to commit to a principles-based approach:** The great majority of commentators emphasized the desirability of “principles-based” standards.

Constitutional changes and other responses

4. Agenda Paper 2B lays out the recommended changes in the Constitution. Staff will describe the proposed changes at the Rio meeting.

5. In proposing these changes, staff highlights the following recommendations for Constitutional change:

- **Requirement for three-yearly public consultations on the IASB’s agenda:** In addition to the proposal to consult with the SAC and the Trustees formally, the IASB should also conduct a three-yearly public review of its agenda. The first such review, which was already planned, will begin before the post-June 2011 agenda is decided.
- **Expanded scope for formal liaison and stakeholder engagement, specifically with standard-setting and other official organizations:** Consistent with the recommendation of the G20 and efforts already underway, such as the enhanced technical dialogue with prudential and other supervisors, the Constitution should include a formal provision for liaison with a broad range of organizations.
- **Inclusion of language regarding drafting standards based upon clearly articulated principles**
- **Emphasis on convergence as a means for IFRS adoption and not an end onto itself:** Many commentators called for a change in the Constitutional language on convergence. Staff is recommending such a change.

- **Permission for, but emphasis on the rarity of circumstance to permit an expedited due process:** Staff is recommending that the Trustees maintain the proposal for an expedited due process in the rarest of circumstances. The Trustees, however, should provide some guidance in an accompanying report on the circumstances that might trigger such an event.
 - **Limiting the change of name to the IFRS Foundation and not the IASB:** The name of the IASB standard-setting body is not to be changed, as originally suggested, because a large majority of commentators made a strong case against such a change.
6. There are also a number of points raised by commentators on which the Trustees should take action, but do not require Constitutional change:
- **Review of SAC's effectiveness:** Most commentators agreed with the Trustee recommendation to await a review of the SAC's effectiveness before proposing any Constitutional change. The Trustees should set out a process for such a review to be completed before the end of 2010.
 - **Greater visibility to Trustee oversight initiatives, Trustee public interaction, and financing program:** As noted above, many commentators called for the Trustees to be more visible and active in their oversight function. In making this point, commentators rarely reference documented procedure and progress in the area that has already been made. This suggests a greater need for the Trustees to communicate their efforts more effectively.
 - **Consideration of the post-2011 IFRS Foundation and IASB:** A number of commentators called for the Trustees to think strategically about the IASB's future following the next wave of IFRS adopters and the conclusion of IASB-FASB work program spelled out in the Memorandum of Understanding. The Trustees had already conducted a strategic review. Staff believes that it would be useful to consider updating any conclusions from the 2007 review.

Next steps

7. Assuming the Trustees reach conclusion on the Constitutional language, staff recommends the following actions:
- Staff should revise the Constitution accordingly, and the Trustees will put the new Constitution into effect at an appropriate point of time. (The Trustees should consider whether invoking the new Constitution depends upon the completion of elements of the name change.)
 - Staff should develop a report that explains the Trustees' conclusions. This report should provide appropriate feedback to stakeholders that participated in the consultation. A draft of this report should be available by the end of February.
 - Staff should undertake the necessary steps to change the name of the IASC Foundation to the IFRS Foundation.

