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**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 2A**

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### **IASCF REVIEW OF THE CONSTITUTION**

#### **IDENTIFYING ISSUES FOR PART 2 OF THE CONSTITUTIONAL REVIEW**

**Preliminary Staff Analysis**

**of**

**Comment Letters**

**on**

**Second Part of the Constitution Review**

**Proposals for Enhanced Public Accountability**

**Discussion document issued in September 2009**

**December 2009**

**Based upon letters received  
through 14 December 2009**

**Tamara Feldman**

## ***EXECUTIVE SUMMARY***

The Trustees began the second part of their review of the Constitution at their meeting in October 2008 in Beijing. A discussion document was published in December 2008. That paper invited comments by 31 March 2009. The comments received from around the globe were considered by the Trustees at their meeting in July 2009 in Amsterdam.

On the basis of the comments received, the Trustees refined their proposals further and published a renewed consultation document in September 2009. The closing date of the second consultation process was 30 November 2009.

In addition to the written consultation process, the Trustees held a series of roundtable meetings with interested stakeholders. Meetings were held on 9 September 2009 in London, 6 October 2009 in New York and 21 October in Tokyo. The roundtable meetings were well attended and the Trustees and stakeholders alike benefited from a high level of interaction and face to face discussion. The Trustees got a good understanding of the stakeholder's primary concerns and likewise the stakeholders benefitted from the dialogue which gave them an appreciation of the Trustees thinking.

This paper summarises the feedback received at the three roundtable meetings and the written comments received from sixty nine respondents from around the globe.

This paper is augmented by a paper setting out staff recommendations for proposed changes to the Constitution, which is contained in a separate document.

In general the replies received from respondents demonstrated significant support for the proposals of the Trustees. At the same time, variations emerged in emphasis and tone and reflected differences in perspectives. There were some commentators who requested a more radical re-think of the organisation's governance. Others called for the Trustees to undertake a more strategic review of the organisation's direction, approach, and resources.

Most commentators noted that maintaining the independence of the IASC Foundation and the IASB was paramount to ensure the development of high quality accounting standards. Many of the commentators emphasised the need for global adoption of IFRSs and commended the IASB and the Trustees for their efforts in helping to achieve widespread adoption in a relatively short period.

However, for IFRSs to have global endorsement and to be of a consistent high quality, many stressed the requirement to be accountable and transparent and the need for the standards to remain relevant to investors, preparers and users. Consequently, most commentators focused their attention on a few areas:

- the IASB's agenda-setting process
- matters relating to the proposed accelerated due process. the effectiveness of the IASB's due process and the perceived need for it to be more accountable
- the accountability and role of the Trustees.

A number of commentators, particularly those in Europe, continued to express a concern that despite the robust procedures that are in place and followed, the IASB does not sufficiently take into account stakeholder input. Similar to the past review, many European commentators (particularly from the preparer community) urged the Trustees (and now the Monitoring Board) to play a greater role in ensuring that the IASB is more responsive to external views and then provides appropriate feedback.

Most commentators expressed significant concern about the introduction of the proposed 'fast-track' due process procedure, but recognised that such a procedure may be necessary in times of crisis. These commentators highlighted the difficulty of translating and commenting in a shortened time period. Commentators concluded that if such an emergency procedure were to be invoked it should

only be permitted in very limited circumstances and under defined conditions. (Already, a 30-day due process period is permitted.)

The Trustees were urged to document their own procedures more clearly and to communicate those more widely so that stakeholders could better understand how they discharge their oversight functions. There was little acknowledgment of the already existing Trustee oversight effectiveness framework.

As a testament to the progress of the IASC Foundation, a number of stakeholders urged the Trustees to be proactive and to start strategically planning how they will better equip the organisation to meet its likely future challenges of becoming an international standard-setter. These stakeholders expressed concern that the current model may not be sufficiently scalable to support the expected take up of IFRSs in the next five to ten years.

Almost all commentators expressed regret that the Trustees had not included an express reference in the Constitution to principle-based standards, without the need for further detailed articulation, since this would reflect explicitly the organisation's commitment to principle based standards.

Commentators welcomed recent efforts aimed at improving the governance and strengthening the transparency and accountability of the IASB, following the first part of the Constitutional Review. The Trustees were urged to further strengthen the independence of the IASC Foundation by ensuring a stable and sustainable funding base in the form of government sponsored levy systems.

## **I General Summary**

Sixty-nine comment letters were received. Respondents from Europe accounted for more than half of the submissions.

What follows is a staff analysis of the comment letters that have been received as of 11 December 2009. Copies of each and every comment letter are on the IASB's Website.

### **Comment letters analysed by geographic and industry segments**

The numbers within the chart refer to the numbers assigned to the specific organisations listed out in Appendix 1.

	Asia Excl. Japan	Japan	Australia/ New Zealand	Europe	North America	South America and Africa	International	<b>TOTAL</b>
Government bodies and Regulators			2	4	1		2	9
Professional body of accountants	1	1	1	7	1	1		12
Accounting Firms				1			6	7
Preparers		2	1	9	1		1	14
Standard-setters	3		1	5	1			10
Users		1		5			3	9
Other							2	2
Academics and Individuals				3	1	2		6
<b>TOTAL</b>	4	4	5	33	5	3	14	69

The responses in the submissions did not lend themselves to statistical analysis. This analysis therefore focuses on the major themes identified.

## Snapshot of Views

Question posed	Number in Favour	Number Against	Other (abstention, conditional replies no view etc.)	Total
Q1 -Proposed Name Change of the Organisation	29	19	21 (4 of which only agreed to a change in the name of the Foundation but not the IASB)	69
Q2- Replacing “accounting standards” with “financial reporting standards”	33	9	27	69
Q3 - Changes to the Objectives of the Organisation	48 (three quarters of these respondents suggested some form of amendment)	10	11	69
Q4 -Amendments to Section 3 of the Constitution – the role of the Monitoring Board	37	7	25	69
Q5 -Composition of the Board of Trustees	52 (three quarters of these respondents suggested some need for further clarification and ongoing review)	3	14	69
Q6 - Vice Chairmen to the Board of Trustees	45		24	69
Q7 – Accountability of Trustees	35	5	29	69
Q8 – Liaison with other Organisations	42	4	23 (All but a few were largely supportive but added suggestions and amendments)	69
Q9 – Vice Chairman of the IASB	46	1	12	69
Q10 – IASB Members’ Terms of Appointment	32	7	30	69
Q11 – Accelerated Due Process	13	14	42	69
Q12 – Agenda Setting Consultation	10	7	52	69
Q13 – Standards Advisory Council	47	5	17	69
Q14 – Staff Titles	48	1	20	69

## **A summary of major views and concerns**

The Trustees scheduled a series of roundtable meetings to receive stakeholders' comments and input. The purpose of these meetings was to allow stakeholders to provide their observations directly to the Trustees and for Trustees to respond directly in a mutually beneficial way.

Roundtable meetings were held in London on 9 September, in New York on 6 October and in Tokyo on 21 October. There were a larger number of participants and observers at the Tokyo roundtable meetings since there appears to be a high level of interest in Asia and Tokyo in particular. The list of attendees of each roundtable meeting is set out in Appendix II.

There were consistent themes at each of the meetings, with a number of regional concerns coming to the fore in each place.

In general most participants welcomed the governance changes that were being proposed and considered them to be timely given the growth in adoption of IFRSs around the globe. A number of participants noted that great strides had already been made by the IASC Foundation and the IASB to improve its governance, structures, consultations and other operational aspects of its activities, but that general knowledge of these improvements were not well known. This may be contributing to the negative perception of the organisation in some quarters. Consequently, the Trustees and the IASB need to do all things necessary to reverse these perceptions. The amendments proposed by the Trustees could lay the foundations of such a shift in perception.

The following themes were consistently highlighted by almost all participants at all of the roundtable meetings:

- *Agenda setting*

There was nearly universal support (with the exception of a few European commentators) for the IASB to have the ultimate authority to determine its own agenda. However, there was a clear desire for more public consultation on agenda priorities to go further and for the Trustees to be bolder than the existing proposal. Specifically, commentators sought a public consultation on agenda priorities.

This need not necessarily be carried out annually, but at least every couple of years. The SAC, even in its latest incarnation, is not able to represent all constituents and therefore consultation with the Trustees and the SAC is insufficient. In the words of one participant, the IASB should make as much effort over setting the agenda as it makes over the standards themselves.

Participants expressed the hope that such a process could be developed without becoming overly bureaucratic or impinging on the ultimate independence of the IASB.

- *IASB's Due Process*

Aligned to the call for greater public consultation on the agenda, many stakeholders commented on the need for the IASB to provide enhanced feedback.

Many commentators, especially European commentators, expressed their concern that despite the robust procedures that in place and followed, the IASB should more fully take into account stakeholder input and the Trustees were urged to ensure that their oversight included ensuring the IASB gave specific feedback to constituents and that overwhelming opposition to standards could not be ignored. It is not clear whether these commentators were taking into

account the newly created requirement for feedback statements and post-implementation reviews.

- *Fast-track Due Process*

This was a topic that received the most comment. Whilst many understood the reasons for requiring the facility, only a few supported constitutional language to facilitate it. A majority were opposed to the proposals.

Almost all participants at all of the roundtables recommended a minimum due process procedure of 30 days, which is that set out in the Due Process Handbook. This view was more strongly emphasised at the round table discussions in New York and in Japan.

In New York, participants were also concerned that accelerating and short cutting due processes to achieve convergence will not result in a single set of high quality accounting standards. Consequently participants urged the IASB and FASB to work more closely to achieve convergence.

Those who were opposed to any fast-track procedure noted that the current 30-day due process was the bare minimum that constituents, especially representative organisations, could reasonably be expected to consult and formulate a thoughtful response to a proposal. In Tokyo participants urged the Trustees to take account of those whose mother tongue was not English. Allowances needed to be made for translation of documents.

Many participants at all of the roundtables saw the proposed fast track process as unnecessary and likely to be open to abuse.

- *IASCF Oversight*

Most participants thought that the constitutional provisions for IASCF oversight of the IASB were sound, but that the operational aspects of those provisions (benchmarks, etc) should be documented properly so that constituents could make their own judgements about whether the Trustees (and Monitoring Board) were actually providing appropriate robust oversight of the IASB.

- *Funding*

Many participants, while acknowledging that the IASCF had a difficult task negotiating with so many different jurisdictions and regions, noted that the IASCF needed to establish a sustainable funding regime as quickly as possible. Adequate funding helps to insure independence, while a lack of independence brings with it the danger of retreating from due process. Consequently, many commentators were of the view that the Constitution should make express reference to the funding arrangements of the IASC Foundation, incorporating the four principles described on the IASB website – namely broad based, compelling, open-ended and country-specific.

Commentators were of the view that including this reference in the Constitution should focus fund raising efforts and confirm that the raising of funds must not interfere with the independence of the IASB and the IASC Foundation.

Most participants noted funding should be unconditional in order to preserve the independence of the IASB and the Trustees. The participants in New York and Tokyo strongly emphasised the need for the organisation to preserve its independence and the independence of the standard-setting process and suggested that this should be expressly set



out in the constitution. Whilst this was not emphasised in London, this principle was accepted as a given.

It became apparent that the participants in New York had little appreciation of the level of funding and the various funding mechanisms in place around the world.

In Tokyo the greatest concern was that the organisation should introduce a mechanism of funding based on GDP and benefit and that all jurisdictions adopting and using IFRSs should contribute to the funding of the organisation. The key message from participants in Tokyo was proportionate funding based on size and the benefit received.

- *Principle based standards*

In London, participants strongly recommended a specific reference in the Constitution to principle-based standards. They noted that there was no necessity for the Constitution to set out the detail of what principle-based standards included. Many felt that this would add to the credibility of the accounting standards as well as the IASB and give a clear indication to the market of the direction in which the organisation is heading when it expressed the support for principle-based standards.

- *Change of name*

There were varying degrees of enthusiasm for the proposed change of name, with some seeing it as vital and others seeing it as a relatively unimportant issue. In particular, commentators distinguished between the need to change the name of the IASC Foundation (which received support) from that of the IASB (where the opinion was decidedly mixed.) The strongest opposition at the roundtable discussions was from the participants in Tokyo who felt that changing the name of the IASB would dilute a well recognised brand and also cause legal difficulties since the term “IASB” has been incorporated into legislation and legal contracts in many jurisdictions around the world.

- *The role of the Chairman and the CEO*

Many participants at the roundtable meetings commented that the role of the Chairman of the IASB should be split from that of the CEO of the organisation. The reasons for making this suggestion were to reduce the working pressures on one individual, to make provision for enhanced good governance and to remove the risk of politicisation of the Chairman of the IASB.

- *Other issues*

The following are a list of other issues that were raised during the roundtable meeting:

- Some participants, especially in London and New York, expressed concern about the proposed changes to the IASB members’ terms. Whilst most accepted the “5 years + 3” proposal, some urged that flexibility was more important subject to an overall maximum term (as now). There was a worry that experience could be lost and that there could be disruption to the standard-setting activities as a result. The cycle of standard setting is such that there needs to be ensured continuity.
- In London, participants were concerned that the role and function of the Monitoring Board was too narrow. In New York and Tokyo however there was concern that the IASB must remain independent and free from undue political pressure, especially in

- Investor groups continued to argue the Monitoring Board should be increased in size to open the possibility of including investor groups as representatives. The Trustees noted that this is a power that rests with the Monitoring Board itself, not with the Trustees.
- Those representing the investor profession said that IFRSs should meet the needs of investors and the wording in the Constitution should support this. Participants also said that convergence was no longer a legitimate objective since convergence was being pursued at the expense of quality, which was the IASB's overriding objective, namely to develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards.
- Some participants in London thought that the IASCF's relationship with the Monitoring Board was still unclear and should be clarified. The Trustees explanation that the Monitoring Board was separate from the IASCF did not satisfy some participants who were of the view that the operations of the IASCF and the Monitoring Board seemed to contradict that statement.
- Some participants wanted a stronger statement in the Constitution about the role and interest of prudential regulators in the activities of and standards issued by the IASB. However, other participants were equally strongly of the view that the investor community should be recognised as the primary user group. However, participants agreed that there should be dialogue between the IASB and prudential regulators and others with legitimate interests in financial reporting standards.
- At all of the three roundtables there were a number of participants that called for an express reference to field testing and cost-benefit analysis as being part of the IASB's due process obligations. Participants said that the impact of standards should be fully assessed in various jurisdictions when their proposals are controversial or change existing practice in an untested manner.
- In Tokyo in particular, there was a strong emphasis on the IASB creating liaison offices around the world to enhance outreach and communication. An express request to open a liaison office in Tokyo was repeated by most of the participants.

### **Other non-Constitutional observations and concerns raised**

In general consensus existed among commentators on many of the issues identified. At the same time, variations emerged in emphasis and tone and reflected differences in perspective and jurisdictional influences. A distinction could be drawn between those commentators from the preparer community as compared to those representing standard-setters and regulators.

Many of the matters that were raised during the roundtable meetings were also raised consistently in the written responses. Once again, there were two main areas of focus: namely the IASB's agenda-setting process and the "fast-track" due process procedures in emergency situations. Included within this, as a subsidiary element, was a discussion of the effectiveness of the IASB's due process more generally, including its accountability and Trustee oversight functions.

In order to avoid repetition, only those matters that were not the main subject of comment at the roundtables will be discussed.

- *Strategic Development*

A number of commentators urged the Trustees to carry out an immediate strategic review in order to ensure that the IASC Foundation and the IASB was able to cope with the expected developments within the next five to ten years. These commentators were of the view that IFRSs are about to be globally adopted by a large number of countries and the IASB would have to be appropriately resourced and prepared to deal with the obligations and functions expected of an international standard-setter.

- *Liaison with other organisations*

The IASC Foundation was urged to include specific reference to liaison with the standard-setting bodies in the International Federation of Accountants (IFAC), namely the International Public Sector Accounting Standards Board (IPSASB) and International Auditing and Assurance Standards Board (IAASB) and the International Valuations Standards Committee (IVSC). These commentators were concerned that if there was not sufficient level of liaison there was a risk that there would be a divergence of standards between capital markets and the public and not-for-profit sectors.

#### *Concerns emphasised by Europeans particularly*

The European stakeholders attending the roundtable meeting in London placed great emphasis on:

- Trustees' oversight of the IASB, due process procedures and feedback.
- The IASB's agenda setting process and the need for wider consultation to reflect the needs of stakeholders.
- The IASB's responsiveness to stakeholders and the need for reasoned feedback and re-exposure in the face of overwhelming opposition.
- Fast-track due process procedures and the need to maintain a minimum period of

Since these matters have already been discussed in section II above, they are not repeated again here. The following additional points were raised by European stakeholders in their written responses to the consultation:

- *Convergence as an objective*

A number of constituents noted that the convergence objective was no longer necessary since the IASC Foundation had achieved this object. It was necessary to replace it with the more appropriate objective of promoting and facilitating the adoption of IFRSs in national jurisdictions.

- *Stewardship*

A number of European commentators expressed the need for the IASC Foundation to consider and include stewardship as an objective in the Constitution. These commentators expressed the view that stewardship was inherent in the role and function of accounting standards.

#### *Global concerns*

The following were concerns raised by commentators from around the world:

- *Jurisdictional issues*

Australian commentators specifically noted that changes to the standards often did not take into account the legal environment in which they had to operate and the consequences of sudden changes. In certain jurisdictions, retrospective changes were prohibited by legislation and retrospective IFRS changes meant that IFRSs could not be applied as the IASB had intended. The Trustees should be aware that a practical issue in Australia regarding the implementation date arose following the October 2008 reclassification amendment.

On the other hand, it has been noted that it would be difficult to take into account every particular legal regime.

- *Translations*

Many commentators called for greater emphasis on accurate and timely translations of exposure drafts, other consultation documents and the standards themselves, to augment and enhance due process and ensure effective implementation and operation of the standards.

Constituents from non-English speaking countries also pointed out that anything less than 30 days consultation on any exposure draft would be impracticable given the need to translate the documents first.

- *Geographical diversity on the Board of Trustees*

A number of commentators were concerned about the geographical spread and diversity on the Board of Trustees and expressed the view that this should represent the users of IFRSs from around the world. Trustees were urged to set out how geographical appointments are agreed and justified.

Some from emerging economies were of the view that only a few countries from well developed regions held guaranteed seats on the Board of Trustees and as such those from emerging economies were unlikely to be offered the opportunity of representation on the Board. Trustees were urged to address this.

- *Protection of the independence of the IASB*

A number of commentators expressed concerns that the Trustees role of oversight should include the duty to protect the independence of the IASB and that the Monitoring Board's functions should be clear in this regard. These commentators were of the view that the present proposed wording of the Constitution did not express this duty clearly.

## Analysis of comments on the Trustees identified questions

This section of the report provides detailed analysis on the 14 specific questions and issues raised by the Constitution Committee and reaction to the September 2009 consultation paper. Major findings on each question follows:

### **Q1 Proposed Name Change of the Organisation**

*The Trustees seek views on the proposal to change the name of the organisation 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?*

Following the publication of the Constitution Review consultation document in December 2008, a number of commentators noted that the current name of the IASC Foundation and the IASB do not reflect the IFRS standards issued by them. Commentators noted that consideration should be given to aligning the names to the standards produced by the organisation. There is also concern that the existing name is confusing to many and does not reflect the present organisation. As a consequence, the Trustees sought direct feedback when they published the second Constitution Review consultation document in September 2009.

Responses to this question were mixed.

Whilst many were in agreement with the proposed changes, recognising that there is an element of confusion, many were not supportive of the proposal to change the IASB’s name. Most agreed with the proposed name change of the IASC Foundation to the IFRS Foundation, because the latter term better reflects the fact that the organisation’s focus is on IFRSs. Furthermore, it would have limited implications beyond the mere name change.

However, there was significantly less support for the suggested change from the IASB to the IFRS Board because the IASB is a strong and well recognised brand.

### **Q2 Replacing references to “accounting standards” with “financial reporting standards”**

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?

Many were in support of the proposed change but there were a number of commentators who were not supportive of it. Those that were in favour of the change were also in favour of the proposed name change as they saw it as a logical extension of the proposals to change the name of the organisation and the IASB. Likewise, the majority not in favour were those that did not support any proposed name change.

Some who supported the proposed change did not attach much significance to the proposed changes.

One European commentator<sup>1</sup> in objecting to the proposed change noted that the IASB is proposing changing words without exploring the true meaning. There was a view that the change from ‘Accounting’ to ‘Reporting’ is actually a limitation in scope, particularly relevant regarding the reliability and validity of transactions in audited accounts. The commentator concluded that “Accounting” as a word means validating transactions, “Reporting” merely takes them as read. The former is active, the latter is passive. The commentator also made a point of noting that the word “Accounting” incorporates stewardship (validating the use of resources), which “Reporting” does not.

One commentator, who did not support the proposed change, or the proposed change in name, cited that the IASCF and the IASB should have only one goal and that was to set accounting standards.

One commentator noted that it was not necessary to adopt the proposals since ‘accounting standards’ is a generic term that captures all relevant standards, which could contain both financial and non-financial information.

It was noted by one commentator<sup>2</sup> that some constituents may not understand the reasons for suggesting the proposed change, nor may they appreciate the scope covered by the term “financial reporting standards”. Consequently, it was suggested that the IASC Foundation should take the opportunity to clarify these matters.

### **Question 3 Objectives of the Organisation**

The Trustees seek views on their proposal to change section 2 so that it reads 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 entities; and
- (d) to bring about convergence of national 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?

The replies to this question suggested many similarities in views, but there were many variations and suggestions along the same themes.

The majority of respondents supported the main thrust of the currently drafted objective of the IASC Foundation and its emphasis on providing standards for the world’s capital markets and listed entities. There were a small minority of commentators that said that the Trustees should broaden its remit to include the public sector and the not-for-profit sector, if not for the immediate term, for the

<sup>1</sup> International Corporate Governance Network (ICGN)

<sup>2</sup> The Japanese Institute of Certified Public Accountants (JICPA)

long term. There was also strong support for the IASB cooperating and interacting with bodies with similar interests to that of the IASB. This point is addressed in greater detail in Question 8 below.

#### *Reference to SMEs and Emerging Economies*

Most commentators strongly supported the inclusion in the Constitution of an express reference to the challenges faced by SMEs and the differentiation between SMEs and emerging economies but cautioned that this should not detract from the aim of striving for the global high quality solution that IFRSs represent for listed companies.

A number of commentators noted that reference to “emerging economies” was confusing and outdated. One commentator suggested that the Trustees need to clarify their intention as to whether they are referring to “second tier” economies (e.g. Argentina, Brazil, China, India, Russia, etc.) or to developing economies. There was a suggestion that if the Trustees were referring to the latter category then to avoid misunderstanding, the Trustees should consider adopting the term “developing countries and economies in transition”, which was developed by UNCTAD-ISAR. At any rate it was noted that the term “developing economies” is more accurate, better understood and more commonly used.

The World Bank noted that a more appropriate turn of phrase would be “to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings”.

Aligned to this was the suggestion made by one or two commentators that the IASB now has a very important secondary objective – developing separate products more suitable for entities without public accountability. There was therefore a suggestion that the Objectives of the organisation should be amended to reflect this unambiguously.

#### *Reference to “globally accepted financial reporting standards”*

All commentators supported the proposed change to reflect that financial reporting standards should be globally accepted and saw this as further emphasising the need for the IASB to consult widely and find support amongst a wide variety of constituents. It was also felt that this implicitly reinforced the requirement for the standards to be of a high quality. Some suggested a change in words, but not in meaning.

#### *Reference to principle-based standards*

At the various roundtable meetings and indeed in written correspondence, there was overwhelming support for the need to include a reference to principle-based standards in paragraph (a). This would underline the fact that a single set of robust and well-understood standards is far more effective in promoting high quality financial reporting than a complex and diverse body of accounting literature. It was believed that it would be appropriate to include a reference to a principle-based approach in the Constitution, providing no attempt is made to define the concept of ‘principle-based’ standards or standard-setting at this level. It would be inappropriate to include this level of detail in the Constitution and the attempt would be fruitless given that such an approach can only be dealt with on a pragmatic basis as standards are developed. A commitment to principle based standards was also deemed appropriate since this approach requires an accountant to use judgement to obtain the optimum presentation; whereas a rules based approach could result in accounts using the rules to circumvent the optimum presentation.

#### *Convergence Objective*

A number of commentators, especially those from Europe, suggested that the convergence objective should be removed from the Constitution, because IFRSs have now achieved a sufficient degree of acceptance and have been adopted widely enough for them to be fully independent of national

standards. Some took the view that the emphasis now needs to be on the adoption of high quality global standards. One commentator even went so far as to suggest that pursuit of convergence would be at the expense of high quality standards and that the two objectives were incompatible.

The suggestion was that the convergence objective should be replaced with the objective of promoting and facilitating national adoption of IFRS.

### *Stewardship*

A number of European commentators<sup>3</sup> noted that the Trustees should align the Constitution to the new Conceptual Framework by addressing stewardship as well as economic decision-making. These commentators recommend that the Constitution should also address stewardship amongst its objectives. It was noted that the reporting of stewardship is a basic characteristic of accounting and financial reporting and that accountability of management is important to enable users and existing shareholders to make decisions about the management to generate economic value.

### *Other suggestions*

Within this broad support, the following were some further observations:

- A minority of respondents, particular from Australia and New Zealand, called for an expansion of the organisation's objectives to make the standards sector neutral.
- Those that represented the investor community all commented that the objectives of the IASC Foundation should be altered to better meet their users' needs. This, however, seems to be accounted for in the current wording.
- Some commentators, whilst acknowledging that there is still significant work required to fulfil the existing private sector mandate, urged the Trustees to set as a longer term goal an expansion of the scope and focus of the organisation to embrace public sector entities, or to expand the scope of IFRS standards to address accounting issues commonly found in the public and not-for-profit arenas as well as in the private sector. These commentators were of the view that in omitting such a broader focus in the Constitution risks unnecessary divergence in the development of standards applicable to like transactions.

#### **Question 4 Amendments to Section 3 of the Constitution**

The Trustees seek views on the proposal to amend section 3 of the Constitution to read 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) will 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?

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<sup>3</sup> Dutch Accounting Standards Board amongst others.



Most commentators commended the Trustees for establishing the Monitoring Board and its link with the Trustees. It was noted that this was a necessary and appropriate measure to establish public oversight and enhance the credibility of both the ISAB and the IASCF.

Most commentators were supportive of the changes to Section 3 and welcomed them. This was based on a clear understanding that the operating procedures of the Monitoring Board and its relationship with the Trustees are appropriately included within the Monitoring Board's Charter and the MOU between the two bodies and therefore has no place in the Constitution. Accordingly the proposed changes to Section 3 were sufficient.

A number of commentators recommended going further in the Constitution, by providing that if Trustees are to make minor variations in the operation of the Constitution, the Trustees may consider reviewing any proposed changes with the Monitoring Board, under the provisions of the MOU. This suggestion was aligned to the view that the Trustees should receive guidance from and report on a regular basis to the Monitoring Board in order to discharge their responsibility.

Some European commentators expressed the view that the proposed changes did not go far enough and that the IASB should be accountable and reportable to the Monitoring Board.

Some also were of the view that the proposed changes did not help to clarify the situation at all. Rather it added to the confusion. The view taken by these commentators was that the Monitoring Board is now de facto the body with which "the governance of the Foundation primarily rests" therefore it should be brought unambiguously within the framework of the Constitution.

On the other hand, a number of commentators, especially user groups and those from outside of Europe, expressed concern that the Monitoring Board should respect the independence of the Trustees and the IASB. They noted that it was imperative that the operational and technical independence of the IASB be maintained and that there should be no interference in the governance of the Foundation. These commentators took the view that the Monitoring Board must be constrained to oversight and accountability of the IASC Foundation and would strongly oppose any involvement of the Monitoring Board in the work of the IASB. One commentator recommended that Section 19(c) of the Constitution should be amended to expressly and clearly reflect that the proposals made therein relate solely to aspects of governance.

Another commentator<sup>4</sup> expressed concern about the use of the word "primarily" since this implied that the governance of the IASC Foundation rested with another party, in addition to the Trustees. This was not the case at all and as such the word should not be included in the proposed amendment. This commentator was of the view that where there is reference to the Monitoring Board, it would be appropriate to clarify that some functions may be delegated to it but that the Trustees remain responsible for the governance of the Foundation.

Another commentator suggested that it would be helpful if the Constitution made express reference to the fact that the Trustees should collaborate with the Monitoring Board in the manner specified in the Memorandum of Understanding.

#### **Question 5      Composition of the Board of Trustees**

The Trustees seek views on the proposal to amend section 6 of the Constitution to include one Trustee from each of Africa and South America. The amended section would read as follows:

All Trustees shall be required to show a firm commitment to the IFRS ~~IASC~~ 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

<sup>4</sup> The South African Institute of Chartered Accountants.

an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global accounting 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?

Almost all commentators were in favour of the proposal to include Trustees from Africa and South America. This is especially in light of the recent similar changes to the IASB.

However, commentators noted that the main criteria for Trustee appointment should continue to be individuals with the mix of skills best able to develop and promote the IASC Foundation, Financial Reporting Standards of the highest quality and an ability to act in the public interest.

Within this wide agreement, the view was expressed that there is need to clarify how the geographic balance of the Trustees is reached and explain what the purpose of having a geographic representative membership of the Trustees.

There were also a number of comments concerning the geographical allocation of the Trustees and how the IASC Foundation makes its election. Some commentators recommended that it would be far preferable for the Trustees to indicate how they allocate the geographical balance on the Board of Trustees and what principles drive the weight of different regions within the Trustees. Most commentators were of the view that the current and prospective committed users of IFRSs (preparers, users and other stakeholders) both in geographical terms and economic weight must be properly reflected in the appointment of the Trustees.

The Korea Accounting Standards Board (KASB) made specific representations at the Tokyo roundtable and in subsequent written submission concerning the geographical allocation of the Board of Trustees. Their submission noted that up until the present the largest and most influential countries have guaranteed seats on the Board of Trustees despite the geographical allocation in the Constitution.

#### **Question 6 Vice Chairmen to the Board of Trustees**

The Trustees seek views on the proposal to amend section 10 of the Constitution to allow up to two Trustees to be appointed as vice-chairmen of the Trustees.

The section would therefore read as follows:

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?

Almost all commentators supported the proposed appointment of up to two Vice Chairmen to the Board of Trustees to share the Chairman's obligations and functions as well as to cover in the event of the Chairman being unavailable or unable to continue with his duties. The Vice Chairman will also be able to assist in geographic outreach and fund raising. To avoid any confusion, commentators suggested that the functions and obligations of the Chairman and the Vice Chairman should be clearly spelled out in the Constitution.

One commentator however noted that two Vice Chairmen were not necessary since one would be quite sufficient.

One commentator<sup>5</sup> noted that the provision should be subject to a maximum term limit (as there is proposed for the IASB members in question 9). As written the Constitution is ambiguous and would allow a Trustee to serve for 18 years (6 years as a Trustee, 6 as Vice-Chair; and 6 as Chair). The commentator recommends a maximum term of 9 years to balance experience and longevity.

A number of commentators suggested removing the gender specific wording of "Chairman" and "Vice Chairman" replacing it with the gender neutral "Chair" and "Vice Chair". There was also the suggestion that the Trustees should consider introducing requirements concerning geographical spread and language diversity in the Constitution itself.

#### **Question 7     Accountability of Trustees**

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.

Most commentators supported the changes proposed by this question.

A number of European commentators noted that the provisions of the Constitution regarding due process and the oversight and accountability of the Trustees is more than sufficient, but their concern is how the Trustees fulfil those responsibilities.

Accordingly these commentators welcome the Trustees' stated intention to address the concerns referred to above by enhancing the reporting of their due process oversight and accountability. These commentators note that this would be most helpful. They also urge the Trustees to identify to whom they owe their accountability and suggest that it should be the Monitoring Board.

It is noted that the operations of the Trustees are not well understood and some of the stress on the organisation stems from this lack of understanding. The Trustees are therefore encouraged to document their operating procedures in a manner similar to the IASB, IFRIC and the SAC.

One commentator from an emerging economy suggested that since consideration of emerging economies and SME's is a specific objective of the organisation, it would be appropriate to expressly include the duty of the Trustees to monitor whether the IASB is properly considering the demands and needs of emerging economies and SME's.

#### *Protecting the Independence of the IASB*

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<sup>5</sup> Deloitte Touche Tohmatsu.

Although the main thrust of most of the comments received urge the Trustees to ensure that the IASB is more responsive, due process is enhanced and there is wider public consultation to ensure transparency and accountability appropriate for an international standard setter, a number of commentators have expressed concerns that the independence of the IASB should not be undermined. These Commentators have noted that the Trustee's oversight function should necessarily include the duty to protect the independence of the standard-setting process and the IASB, thereby ensuring the reinforcing the legitimacy and validity of IFRSs.

#### *Strategic review*

Although not strictly a Constitutional matter, a number of commentators recommended that the IASC Foundation commence a separate strategic review within the next 12 months to consider the strategic issues associated with the expected increases in the IFRS user base. Such a review should involve public consultation.

The number and size of countries committed to adopting IFRSs in the next five years presents significant opportunities, but will also place significant resource demands on and pose other challenges for the organisation. The Trustees should consider the organisation in five to ten years from now, taking into account those countries that will be adopting or preparing to adopt IFRSs in 2011 onwards. Trustees should also consider what the incremental impact would be if Japan and the United States were to adopt IFRSs.

Significant changes may be necessary for the organisation to meet these demands and challenges, and such changes would require planning and take time to implement. These stakeholders have some concerns that the current model may not be scalable given the expected changes over the next five to ten years.

Commentators give the following examples of possible strategic issues to be considered as part of this review:

- whether setting up regional branches would improve liaison and whether a model with some decentralisation would be appropriate for the organisation either currently or in the future;
- the adequacy of the organisation's resources in order to meet its objectives and the strategy for addressing any shortfall identified.

Commentators noted that if this review were not carried out, the IASC Foundation runs the risk of lagging behind demand and losing effectiveness, credibility and support.

Commentators note that the need for this review is a testament to the success of the work of the IASC Foundation and the IASB.

#### **Question 8      Liaison with other organisations**

As amended, section 28 would read 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?

Again, there was strong unanimity in the replies given to this question. Most commentators confirmed the need for the IASC Foundation to collaborate and consult with a wide range of organisations, which have similar interests and goals to the IASC Foundation.

Many were of the view that the change proposed could be supported by an appropriate elaboration in the IASB's Due Process Handbook.

The main reason given is that wide consultation is imperative to reinforce the legitimacy of accounting standards, to take into account all interests and concerns and to fulfill the first objective of the organisation, namely to ensure global, high quality international accounting standards. Furthermore, in consulting widely, the IASC Foundation will be recognising the role that the IASB and its standards play within the broader financial regulatory framework.

Within this, a few European commentators expressed the need for the IASC Foundation to consult with official organisations responsible for ensuring prudential supervision over regulated financial industries and financial stability so that accounting standards and prudential regulation combine thus making them more robust and legitimate. In addition, many commentators were of the view that the IASB should consult with national-standard setters and this should be made a requirement in the Constitution.

Those commentators representing certain sectors naturally urged closer collaboration with bodies that supported the sector they were representing.

A number of commentators noted that it would not be possible to list every type of organisation that the IASC Foundation should form a close relationship with, and an organisation needs sufficient flexibility to allow for change. Therefore it was recommended that the Constitution should merely include general, principle-based wording that allows some flexibility to the IASC Foundation and the IASB to collaborate with bodies when that would further their objectives without endangering their independence and other processes. Notwithstanding this point, some commentators from outside Europe urged flexible and open-ended wording and said that it would however be appropriate for the Constitution to make specific reference to the IASB's close working relationship with the standard setting bodies of the IFAC, namely the IPSASB and the IAASB and the IVSC. These commentators are of the view that without appropriate liaison and possible collaboration with these bodies, the IASC Foundation risks unnecessary divergence in the development of standards applicable to like transactions in the public and not-for-profit sectors.

Some however warned that the IASB should proceed with caution as partnerships and consultation are resource intensive and may distract rather than enhance existing arrangements.

#### **Question 9 Vice Chairmen of the IASB**

The Trustees seek views on the proposal to amend section 30 of the Constitution to permit the appointment of up to two Board members to act as vice chairmen of the IASB.

This section would read as follows:

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 ~~IASC~~ 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 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 individuals members)~~ concerned is (or are) the Chairman-elect.

For the same reasons as those identified at question 6 above, all commentators supported the proposed appointment of up to two Vice Chairmen to the IASB to share the Chairman's obligations and functions as well as to cover in the event of the Chairman being unavailable or unable to continue with his duties. Likewise, in order to avoid any confusion, commentators suggested that the functions and obligations of the Chairman and the Vice Chairman should be clearly spelled out in the Constitution.

Once again, a number of commentators suggested removing the gender specific wording of "Chairman" and "Vice Chairman" replacing it with the gender neutral "Chair" and "Vice Chair" and that the Trustees should consider introducing requirements concerning geographical spread and language diversity in the Constitution itself.

Within this topic, many commentators urged the Trustees to consider splitting the role of the CEO and that of the Chairman of the IASB, so that the roles are not borne by one and the same person. It was noted that the IASC Foundation and the IASB are under increasing public scrutiny from many jurisdictions and it is vitally important that there is no appearance of conflict of interest within the organisation. Given the apparent conflict of interest between the roles of the IASB Chairman and the chief executive of its oversight body, a number of commentators recommended separating the IASC Foundation activities from that of the standard-setting activities. As such the CEO of the IASC Foundation would not be a member of the IASB or the IASB/IFRIC staff. This would have the added benefit of allowing the IASB Chairman to concentrate on the technical agenda and operations of the IASB.

#### **Question 10 IASB Members' Terms of Appointment**

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 section would read 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?

The responses to this question were mixed.

Many felt that the proposed changes struck the right balance between keeping the practical experience of IFRS fresh on the IASB and the fear of some constituents that Board members might

become jaded and lose touch. Many also felt that it struck the right balance in achieving necessary continuity in the standard setting process.

However, there were a number of commentators who did not agree with the proposals and considered them to be unnecessarily limiting. They urged the Trustees to maintain flexibility to take account of the fact that often there is a steep learning curve for new IASB members and the life cycle of a standard may be a lot longer than most might realise and as such there is great need for continuity on the Board.

One commentator was of the view that at reduction of the maximum term of the IASB members will make it increasingly difficult to attract senior people to leave their present organisations to join the Board. Furthermore the lack of continuity on the Board will mean that it will take longer to complete the standard-setting work.

Most felt that five years was the appropriate time scale for a first term appointment given that all Board members are asked to sever any commercial incentives or professional relationships, in order to ensure their complete independence. Trustees regularly review the IASB's performance and if a member is seen consistently to be below expectations, the Trustees have the necessary powers under the Constitution to act appropriately. However, a number of these commentators suggested making a change to the section to allow the Trustees to appoint IASB members for up to two terms, which together cannot exceed eight years. This leaves the length of each term to the discretion of the Trustees.

Another commentator suggested that the Constitution should provide the necessary flexibility in circumstances where projects are nearly completed or at their critical stage, the Trustees should allow those IASB members who are important to those projects to extend their term of services even though they may have already served the Board for eight years in order to prevent disruption to the standard-setting process.

#### **Question 11 Accelerated Due Process**

The Trustees seek views on the proposal to amend section 38(c) of the Constitution 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 section would read as follows:

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.

The comments in response to this question were almost unanimous, both in terms of those that attended the Roundtable meetings and those that responded in writing to the consultation.

Many were against the proposed inclusion of a 'fast track' due process procedure in the Constitution, because there was fear that it would be used capriciously and/or used to achieve a predetermined outcome. Many noted that it is the due process which gives the IASB, as a private-sector standard-setter, its legitimacy and contributes to ensuring that the standards are of high quality. It is therefore important that this process is not compromised and consultation should never be dispensed with completely.

Many commentators noted that the Due Process Handbook already provides for a 30-day consultation period, and that this is sufficient as a 'fast-track' process in itself.

One commentator said that the circumstances justifying suspension of normal due process would be so rare as to nullify the need for any express wording in the Constitution. There was also the view that it would be difficult to account for every eventuality when a 'fast track' procedure would be justified and as a consequence it would be far better to continue to require the use on a case by case basis, with prior Trustee approval. Furthermore there was concern that a 'fast track' process represents "a cutting of corners" which in itself may result in a loss of standards and diminish appropriate consultation and opportunity for comment.

However, it was largely accepted that in cases of great urgency, it was essential to have a certain defined 'fast track' process in place provided that certain assurances are put in place. The Trustees should ensure minimum due process and set down clear and specific criteria as to when due process may be partially suspended to prevent future abuse or inconsistent application. As a result, almost all commentators suggested the following minimum criteria for any proposed 'fast track' procedure:

- An appropriate "trigger" mechanism, pre-authorised by the Trustees and/or the Monitoring Board. This would include the circumstances that constitute an emergency or urgent situation, which by definition would need to be rare and exceptional circumstances. The Trustees decision would need to be taken at a public meeting;
- At a minimum there should always be an Exposure Draft for consultation and the periods given should be anything from 30-60 days, but nothing less.

Some suggested that the SAC should also be consulted when making any decision to accelerate due process.

Many commented that anything less than 30 days consultation would exclude all stakeholders who do not speak English as their mother tongue, as time needs to be given for translation. Furthermore, most stakeholders cannot reasonably obtain varied responses from their members and other interested parties in anything less than 30 days. This led some commentators to conclude that anything less than 30 days for constituents to receive the invitation to comment cannot be said to be "due process".

<p><b>Question 12    Agenda Setting Consultation</b></p> <p>The Trustees seek views on the proposal to amend section 38(d) of the Constitution to expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda.</p> <p>The section would read as follows:</p> <p>The <del>IASB</del> <u>IFRS Board</u> shall:</p> <p>(a)... (b)... (c) ... <u>(d) have full discretion in developing and pursuing the technical agenda of the <del>IASB</del> 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 <del>IASB</del> IFRS Board may outsource detailed research or other work to national standard-setters or other organisations.</u></p>
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There was an overwhelming unanimity in the replies received to this question. Almost all commentators, both at the Roundtable meetings and in their written submissions to the Consultation document, took the view that the proposed agenda consultation with the SAC and the Trustees was simply not sufficient. It was imperative for the IASB to hold formal broad based consultation with all interested constituents on a regular basis so as to ensure that it becomes more transparent and the IASB become more accountable. In addition, commentators called on the IASB to provide explanations and justifications for their prioritisation of the agenda. Most commentators took the view that the IASB agenda and how it is set is one of the most critical aspects of what the IASB does, because without the support of constituents as to what the IASB should be addressing, the Board risks losing the support of those constituents for the output.

Many said that if the Trustees extend their remit in the ways suggested, this will not impinge upon the independence of the IASB, which remains of paramount importance, but it will enhance the IASB's independence and the legitimacy, respect and viability of IFRSs globally.

Commentators recognise that the consultation process cannot be unduly limiting and the Board needs to maintain overall control over the Agenda. Commentators therefore suggest that once the IASB has received feedback on its proposed agenda, the Board should have the discretion to determine its agenda without excessive interference. However, the IASB should justify their decision and prioritisation to the Trustees, the SAC and other constituents, and the Trustees should specifically review the Board's exercise of their discretion as part of its annual review

The Trustees should also be required to assess whether the IASB's agenda is reasonable, feasible and remain appropriate bearing in mind the organisation's resources. The SAC should participate in assessing priorities too.

At present many of the stakeholder organisations are experiencing difficulties in coping with the overload of IASB pronouncements on which comments are sought, within very tight time scales. This draws heavily on limited stakeholder resources and may have an impact on the quality of the comments submitted to the IASB, with the ultimate risk that this will diminish the quality of the resulting standards and financial reporting.

Most Commentators recognised that it would not be feasible for the IASB to hold regular, ongoing consultation as this would be far too disruptive. However, most envisaged wide stakeholder consultation every three years or thereabouts, to ensure that the IASB's agenda remains pertinent to all its stakeholders.

### *Accountability of the IASB*

Aligned to this topic was that relating to the IASB's responsiveness, general exercise of its due process and more specifically how it makes decisions regarding re-exposure of proposals.

Many European commentators were critical of the IASB's consultations. Many expressed the view that the IASB largely disregards the feedback it receives and proceeds with its intended proposals.

Many commentators were strongly of the view that the IASB should not be able to override overwhelming stakeholder opposition.

Commentators therefore urged the Trustees to demonstrate enhanced oversight over of the IASB to ensure that the IASB takes account of feedback, gives reasons and is made to reconsider matters if there is overwhelming un-orchestrated opposition to a principle.

If necessary, the IASB should be required to reconsider the impact assessments and the needs analysis in order to assess whether all practical implications have been appropriately considered.

Furthermore, the IASB should be required to justify its reasoning in a transparent and accountable manner which should be communicated to the commentators directly.

**Question 13 Standards Advisory Council (SAC)**

Trustees seek views on the proposal to make no amendment to sections 44 and 45, which are the provisions relating to the SAC, at this time.

There was great similarity in the replies to this question.

Most commentators were of the view that given the recent restructuring of the SAC it would be premature to make any proposals for change at this juncture. The view was taken that the SAC should be given the opportunity to develop organically over the current review cycle and the Trustees should reassess it in the next review cycle. Commentators urged the Trustees to encourage the SAC to play a more active role in the standard-setting process.

Many commentators noted the positive developments initiated by both the IASC Foundation and the chairman of the newly formed SAC and welcomed them. Of particular note was the introduction of dedicated resources provided to the SAC and the engagement of the SAC members' out-of-session to provide input on important consultations. Commentators were of the view that these changes will contribute to the efficiency and effectiveness of the SAC.

A number of commentators however noted that the SAC is too large to be effective and the Trustees should take immediate steps to review it. If this was not possible, then the Trustees were urged to set a reasonable date for such a review. Trustees were urged to keep a watching brief on the SAC's effectiveness.

**Question 14 Staff Titles**

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.

Most constituents did not consider this a contentious matter and therefore there was wide support for it. One commentator<sup>6</sup> however disagreed with the abolition of titles as it felt that retention would ensure identifiable accountability.

Some commentators recommended that the historical background of the organisation should be included on its website.

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<sup>6</sup> The Institute of Certified Public Accountants in Ireland.

**APPENDIX I**

**LIST OF WRITTEN CONTRIBUTORS  
LIST OF CONTRIBUTORS**

<b>Name</b>	<b>Country or Region</b>	<b>Date Received</b>	<b>Industry</b>	<b>Number allocation</b>
<b>Conrad Hewitt Former Chief Accountant, SEC</b>	United States	15/09/2009	Academic or Individual	1
<b>Alexander Silva - Cooperative D&amp;D Consulting and Services 2000 RL</b>	Venezuela	12/10/2009	Academic or Individual	2
<b>Korean Accounting Institute (KAI) and Korean Accounting Standards Board (KASB) plus additional letter of 30 November 2009.</b>	Korea	21/10/2009	Standard-setter	3 and 3a
<b>FEE- Federation of European Accountants</b>	Brussels, Europe	12/11/2009	Professional body of accountants	4
<b>OIC – Organismo Italiano di Contabilità</b>	Italy, Europe	19/11/2009	Standard-setter	5
<b>Accounting Standards Review Board of New Zealand</b>	New Zealand	23/11/2009	Standard-setter	6
<b>Tasmanian Department of Treasury and Finance</b>	Tasmania	23/11/2009	Government bodies	7
<b>Singapore Accounting Standards Council (ASC)</b>	Singapore	23/11/2009	Standard-setter	8
<b>Association of German Banks</b>	Germany, Europe	23/11/2009	Preparers	9
<b>Canadian Accounting Standards Board (AcSOC-AcSB)</b>	Canada	24/11/2009	Standard-setter	10
<b>Dutch Accounting Standards Board (incorporating EFRAG's comment letter)</b>	Europe	19/11/2009	Standard-setter	11
<b>Australian Government</b>	Australia	20/11/2009	Government bodies and Regulators	12
<b>World Bank</b>	International	16/11/2009	Other	13
<b>Deloitte Touche Tohamatsu</b>	International	25/11/2009	Accounting Firms	14
<b>Certified General Accounting Association of Canada</b>	Canada	24/11/2009	Professional body of accountants	15
<b>Conseil National de la Comptabilité (CNC)</b>	France, Europe	25/11/2009	Standard-setter	16
<b>Institute of Certified Public Accountants in Ireland (CPA)</b>	Ireland, Europe	23/11/2009	Professional body of accountants	17
<b>Association of Chartered Certified Accountants (ACCA)</b>	England, Europe	23/11/2009	Professional body of accountants	18

<b>Name</b>	<b>Country or Region</b>	<b>Date Received</b>	<b>Industry</b>	<b>Number allocation</b>
<b>Ernst &amp; Young Global Limited</b>	International	25/11/2009	Accounting Firms	19
<b>The Group of 100</b>	Australia	26/11/2009	Preparers	20
<b>The Japanese Institute of Certified Public Accountants (JICPA)</b>	Japan	27/11/2009	Professional body of accountants	21
<b>CESR – Committee of the European Securities Regulators</b>	Europe	27/11/2009	Government bodies and Regulators	22
<b>The Institute of Chartered Accountants of Scotland</b>	Europe	27/11/2009	Professional body of accountants	23
<b>F. Hoffmann-La Roche AG</b>	Europe	27/11/2009	Preparers	24
<b>The South African Institute of Chartered Accountants</b>	South Africa	27/11/2009	Professional body of accountants	25
<b>KPMG International</b>	International	27/11/2009	Accounting Firms	26
<b>PricewaterhouseCoopers</b>	International	30/11/2009	Accounting Firms	27
<b>The Securities Analysts Association of Japan</b>	Japan	30/11/2009	Users	28
<b>The Life Insurance Association of Japan (LIAJ)</b>	Japan	30/11/2009	Preparer	29
<b>Joint Accounting Bodies (CPA Australia, the Institute of Chartered Accountants in Australia and the National Institute of Accountants)</b>	Australia	30/11/2009	Professional body of accountants	30
<b>Grant Thornton</b>	International	30/11/2009	Accounting Firms	31
<b>Accounting Standards Committee of Germany</b>	Germany, Europe	30/11/2009	Standard-setter	32
<b>Nippon Keidanren</b>	Japan	30/11/2009	Preparers	33
<b>Hermes Fund Managers Limited</b>	England, Europe	30/11/2009	Users	34
<b>Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)</b>	Germany, Europe	30/11/2009	Professional body of accountants	35
<b>The Quoted Companies Alliance (QCA)</b>	United Kingdom, Europe	30/11/2009	Preparers	36
<b>SwissHoldings Federation of Industrial and Service Groups in Switzerland</b>	Switzerland, Europe	30/11/2009	Preparers	37
<b>Investment Management Association (IMA)</b>	United Kingdom, Europe	30/11/2009	Users	38

<b>Name</b>	<b>Country or Region</b>	<b>Date Received</b>	<b>Industry</b>	<b>Number allocation</b>
<b>Financial Reporting Council (FRC)</b>	United Kingdom, Europe	30/11/2009	Government bodies and Regulators	39
<b>BUSINESSEUROPE</b>	Brussels, Europe	30/11/2009	Preparers	40
<b>The Association for Financial Markets in Europe (AFME)</b>	United Kingdom, Europe	30/11/2009	Users	41
<b>Association of British Insurers (ABI)</b>	United Kingdom, Europe	30/11/2009	Preparers	42
<b>UBS</b>	International	30/11/2009	Preparer	43
<b>International Banking Federation (IBFED)</b>	United Kingdom, Europe	30/11/2009	Preparers	44
<b>International Actuarial Association</b>	Canada	02/12/2009	Others	45
<b>Mazars</b>	International	02/12/2009	Accounting firms	46
<b>Committee of European Banking Supervisors</b>	Europe	02/12/2009	Government bodies and Regulators	47
<b>Council of Institutional Investors</b>	Europe	02/12/2009	Users	48
<b>Denise Silva Ferreira Juvenal (to remain confidential)</b>	South America	02/12/2009	Academic or Individual	49
<b>Institute of Chartered Accountants for England and Wales</b>	England and Wales, Europe	02/12/2009	Professional body of accountants	50
<b>Nick Rowbottom, Joanne Locke &amp; Anne Ullathorne Dept of Accounting &amp; Finance University of Birmingham</b>	United Kingdom, Europe	02/12/2009	Academic or Individual	51
<b>International Swaps and Derivatives Association (“ISDA”)</b>	International	02/12/2009	Users	52
<b>The Swedish Financial Reporting Board</b>	Sweden	02/12/2009	Standard-setter	53
<b>FEI Canada Committee on Corporate Reporting</b>	Canada	02/12/2009	Preparers	54
<b>ACTEO, AFEP &amp; MEDEF</b>	France, Europe		Preparers	55
<b>Stella Fearnley Professor in Accounting The Business School Bournemouth University</b>	United Kingdom, Europe	02/12/2009	Academic or Individual	56
<b>CFA Centre For Financial Market Integrity, EMEA</b>	United Kingdom, Europe	03/12/2009	Users	57
<b>Basel Committee</b>	International	03/12/2009	Government bodies and Regulators	58

<b>Name</b>	<b>Country or Region</b>	<b>Date Received</b>	<b>Industry</b>	<b>Number allocation</b>
<b>BDO</b>	International	04/12/2009	Accounting Firms	59
<b>EFRAG</b>	European	04/12/2009	Government bodies and Regulators	60
<b>Hong Kong Institute of Certified Public Accountants</b>	Hong Kong	07/12/09	Professional body of accountants	61
<b>Nicolas Véron</b>	Europe	07/12/09	Academic or Individual	62
<b>Association of Accounting Technicians</b>	UK, Europe	07/12/09	Professional body of accountants	63
<b>Ministry of Finance China and China Accounting Standards Committee</b>	China	09/12/09	Standard-setter	64
<b>International Corporate Governance Network Committee</b>	United Kingdom, Europe	11/12/09	Users	65
<b>Ministry of Finance</b>	British Columbia	14/12/09	Government bodies and Regulators	66
<b>Confederation of British Industry</b>	United Kingdom, Europe	16/12/09	Preparers	67
<b>International Organisation of Securities Commissions (IOSCO)</b>	International	18/12/09	Government bodies and Regulators	68
<b>Corporate Users Forum (CRUF)</b>	United Kingdom, Europe	14/12/09	Users	69

## APPENDIX II

### LIST OF PARTICIPANTS AT THE ROUND TABLE MEETINGS

#### LONDON CONSTITUTIONAL REVIEW ROUND TABLE MEETINGS

Held on 9 September 2009. The roundtable meeting was held at the IASB offices in London.

##### Participants

###### Session 1 - 10h00 – 11h30

Michael Barbet-Massin	Mazars
Joseph Boateng	Casey Family Programs
Kathryn Cearns	ICAEW FRC
Richard Keys	PricewaterhouseCoopers
David Maxwell	Classic Technology Limited
Liz Murrall	Investment Management Association
Veronica Poole	Deloitte Touche Tohmatsu

##### Participants

###### Session II - 11h45-13h15

Alain Deckers	European Commission, Internal Market and Services DG, Financial Reporting Unit
Stephen Haddrill	Association of British Insurers
Jacques Le Douit	AXA
Agnès Lépinay	MEDEF/ACTEO
Patrice Marteau	Business Europe
Dominique Thouvenin	Council National de la Comptabilité
Mark Vaessen	FEE
Nicholas Veron	ICGN Accounting and Auditing Practices Committee

##### Participants

###### Session III - 14.45h-15h.45

Sophie Baranger	Autorité des Marchés Financiers
Andrew Buchanan	BDO International
Richard Martin	ACCA
Ruth Picker	Ernst & Young
Silvia Schütte	Association of German Banks
Richard Thorpe	CESR (FSA)
Jed Wrigley	Fidelity Investments International

## **NEW YORK CONSTITUTIONAL REVIEW ROUNDTABLE MEETINGS**

The meetings were held on 6 October 2009 at Baruch College, New York.

Ned Regan, from Baruch College gave a welcome.

### **Participants**

#### **Session 1 - 10h30 – 12h45**

Barry Melancon from Association of Chartered Public Accountants (AICPA)

Michael Tovey from UBS Bank (ex FASB)

David Kaplan from PriceWaterhouseCoopers (PWC)

Philip Bancroft from GNAIE

### **Participants**

#### **Session 2 – 13h00-14h45**

Jeff Mahoney - Council of Institutional Investors (CII)

Paul Cherry – SAC Chairman

Tricia O'Malley – Accounting Standards Board of Canada

David Trainer – New Constructs LLC

Joel Osness – Deloitte Touche Tohmatsu and SAC member

Hollis Skaife – IAAER and academic from University of Wisconsin



## **TOKYO CONSTITUTIONAL REVIEW ROUNDTABLE MEETINGS**

The meetings were held on 21, October 2009 at Konin Kaikeishi Kaikan (JICPA Headquarters) in Tokyo.

**Katsunori Mikuniya** from the Japanese Financial Services Agency gave a welcome address.

### **Participants:**

#### **Session 1 – 13h30 – 15h00**

Tatsuya Arai - Grant Thornton Taiyo ASG (GT Japan)  
Hiroshi Endo – Financial Accounting Standards Foundation  
Kiyoto Hagiwara – SAAJ  
Norio Igarashi - Yokohama National University  
Hiroyuki Iwakuma - Tokyo Stock Exchange Group  
Sei-Ichi Kaneko - SAAJ  
Yoshinori Kawano - BDO Sanyu & Co  
Alex Malley – CPA Australia  
Kenichi Matsui - Idemitsu Kosan Co Ltd  
Takashi Nagaoka - Japanese Financial Services Agency  
Yukio Ono - Deloitte Touche Tohmatsu  
Michiyoshi Sakamoto - Graduate School of Business and Commerce, Keio University  
Masanori Sato - KPMG Japan  
Ryoji Sato - Deloitte Touche Tohmatsu  
Shozo Yamazaki – JICPA

#### **Second Session 15.30-17h00**

Kazuo Hiramatsu - Kwansai Gakuin University  
Sungho Joo - Korea Accounting Institute (KAI)  
Takashi Kando - Japanese Bankers Association  
Yoshitaka Kato - Ernst & Young ShinNihon LLC  
Toshio Kinoshita – JICPA  
Hideo Kojima - Ernst & Young ShinNihon LLC  
Masamichi Kono - Japanese Financial Services Agency  
Yukihiro Matsunaga - Kyoto Audit Corporation  
Hideki Okayasu - Pioneer Corporation  
Shigeo Sakase - Accounting Standards Board of Japan  
Sonoda Makoto - Japanese Financial Services Agency  
Chungwoo Suh - Korea Accounting Standards Board (KASB)  
Paul F Winkelmann - Hong Kong Institute of CPAs  
Narihiro Yamanaka – Mitsubishi Corporation  
Akira Yamate - PricewaterhouseCoopers  
Syozo Yoneya - Itochu Corporation