

April 2010

IASC Foundation*

Report of the IASC Foundation Trustees on
Part 2 of their Constitution Review

Changes for Enhanced Public Accountability and Stakeholder Engagement



International
Accounting Standards
Committee Foundation®

*To become IFRS Foundation

International Accounting Standards Committee
Foundation

**Report of the IASC Foundation Trustees on
Part 2 of their Constitution Review**

**Changes for Enhanced Public Accountability and
Stakeholder Engagement**

April 2010

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CONTENTS

SECTION A –SUMMARY

SECTION B –AMENDED SECTIONS OF THE CONSTITUTION IN MARKED-UP FORMAT.

SECTION C –COMMENTARY ON PART 2 OF THE PROPOSED CHANGES TO THE CONSTITUTION AND THE TRUSTEES' CONCLUSIONS—EXPLAINING THE CHANGES AND PROVIDING FEEDBACK TO RESPONDENTS

APPENDICES

- 1 Process for the Constitution review**
- 2 Organisation and individuals that participated in the final comment letter process of the Constitution review**
- 3 List of participants in the round-table meetings**
- 4 Comment letters analysed by geographical and industry segments**
- 5 Revised Constitution – clean text.**

A complete set of comment letters and statements received by the Constitution Committee and Trustees is available on the Foundation's website, together with an analysis of the comment letters. They may be accessed at www.iasb.org

Section A: Summary

- 1 At their meeting in Rio de Janeiro in January 2010, the Trustees completed the second part of their five-yearly review of the Constitution. Both parts of the review were aimed at enhancing public accountability, stakeholder engagement and operational effectiveness. The changes resulting from the review established, for the first time, a formal public accountability link to public capital market authorities (first part of the review) and enhanced the governance arrangements to address other issues raised by stakeholders (second part).
- 2 This report explains the governance enhancements made in the second part of the review and the process by which the Trustees reached their conclusions. This report also comments on the advice received in the global consultation undertaken by the Trustees. (For a report on the first part of the review, see the report *Changes in the Constitution—Report of the IASC Foundation Trustees on Part 1 of their Review* (April 2009), at www.iasb.org.)

Background

- 3 On 15 January 2009 in New Delhi, India, the Trustees completed the first part of their five-yearly review of the IASC Foundation's Constitution, the document setting out the Foundation's governance arrangements. The first part of the review addressed public accountability by creating a link to a Monitoring Board of public authorities and helped ensure the international basis of the International Accounting Standards Board (IASB), the Foundation's standard-setting body, by expanding it from 14 to 16 members by July 2012 and providing geographical guidelines for the IASB's membership. The revised Constitution came into effect on 1 February 2009.
- 4 The Trustees began the second part of their review at their meeting in October 2008 in Beijing. The focus was on enhancing the transparency and accountability of the Foundation and the IASB and addressing concerns raised by stakeholders. The emphasis was on expanding stakeholder engagement and outreach, whilst enhancing governance. A consultation document, *Part 2 of the Constitution Review—Identifying issues for review of the Constitution—Proposals for Enhanced Public Accountability*, was published in September 2009. The closing date for comments was 30 November 2009.
- 5 In undertaking the second part of the Constitution review, the Trustees consulted a wide range of interested parties. The consultations included a series of round-table meetings held in London on 9 September, in New York on 6 October and in Tokyo on 21 October. Further discussion of the comments received is provided later in this report (see section C below).

Enhancing governance arrangements and public accountability

- 6 With the benefit of views received from the two periods of public comment and the public round tables, the Trustees completed the second part of the review on 26 January 2010 at their meeting in Rio de Janeiro. The Trustees agreed to the following major changes to the Constitution:
 - **Introduction of three-yearly public consultations on the IASB's technical agenda:** The IASB, in addition to consulting the Trustees and its advisory council annually on the current and future agenda, will undertake a three-yearly public consultation on its future technical agenda. The requirement to give a formal opportunity for public comment addresses one of the major issues raised by stakeholders. The first such public review will begin before 30 June 2011.

- **Emphasis on adoption of International Financial Reporting Standards (IFRSs):** The Constitution will emphasise that convergence is a strategy aimed at promoting and facilitating the adoption of IFRSs, but is not an objective by itself. The Trustees believe that this emphasis increases their commitment to both convergence and adoption and better reflects their current policy. Convergence is important because it makes adoption easier and more likely. At the same time, the ultimate goal has always been and remains adoption. The Trustees are committed to convergence—and are deeply so—because it is a step towards adoption, but not an end in itself.
- **A commitment to a 'principle-based' approach:** The Constitution will call for IFRSs 'based upon clearly articulated principles'.
- **Specific designation of investors:** The Constitution will identify investors as a target audience for financial information (in addition to other participants in the world's capital markets and other users of financial information).
- **A requirement for due process and the introduction of an emergency procedure:** The Constitution will include a provision for an accelerated due process only in the most exceptional circumstances and only after approval by at least 75 per cent of the Trustees.
- **Creation of vice-chairs for both the Trustees and the IASB:** The Constitution will establish the possibility of two vice-chairs for both the Trustees and the IASB. This will both ease the burden on the chair, and give the option of wider geographical distribution in the leadership.
- **Improved language to take account of a broad range of stakeholders, both by type and location:** The Constitution will note the need to 'take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings'.
- **Reduction in duration of possible second term of IASB members to ensure practical experience:** While the Constitution will still permit the possibility of a second term for IASB members, the Trustees have reduced the second term from five years to three for IASB members not serving as the Chair or a Vice-Chair.
- **Names in use across the organisation to be streamlined:** The names in use across the organisation will be more closely aligned with the standards. The IASC Foundation will become the IFRS Foundation, as soon as the practical arrangements can be made. The interpretations committee and advisory council will be known as the IFRS Interpretations Committee and IFRS Advisory Council, respectively. Stakeholders supported retaining the name of the IASB, and the Trustees concurred.

7 The review also highlighted the need for other reviews to improve oversight and help define the future direction of the Foundation. The Trustees therefore agreed:

- to undertake immediately a full strategic review of the Foundation beyond June 2011, including the financing of the organisation. The review will include public consultation with stakeholders and the Monitoring Board. The review will include consideration of the resources required to ensure that the IASB can meet the expectations and demands required of an international standard-setter.
- to undertake, and complete by the end of 2010, a full review of the effectiveness of the Advisory Council, in order to assess the recent reforms introduced and to determine whether further reforms are necessary. The review will also consider the size, structure and operation of the Advisory Council.
- that the Due Process Oversight Committee should review the oversight framework and their fulfilment of their oversight functions and report back to the Trustees. The Trustees

concluded that despite the robust procedures that are in place and followed, the Committee needs to document its own procedures more clearly and to communicate them more widely so that stakeholders may better understand how the Trustees discharge their oversight functions. There appears to be little acknowledgment of the Trustees' framework that already exists to oversee effectiveness.

8 This report represents the conclusions of the second part of the Trustees' Constitution review. This report is set out as follows:

- **Section B** shows the amendments approved in the Constitution in marked-up format.
- **Section C** is a discussion of the Trustees' conclusions on each of the issues identified for consideration as part of the Constitution review. The arguments considered on those issues may be found in further detail in the Trustees' consultation paper, *Part 2 of the Constitution Review—Identifying issues for review of the Constitution—Proposals for Enhanced Public Accountability*.
- **Appendices:**
 - Process for the Constitution review.
 - Organisations and individuals that participated in the Constitution review.
 - List of participants at the round-table meetings
 - Comment letters analysed by geographical and industry segments
 - Revised Constitution in 'clean' format

9 A complete set of comment letters and statements received by the Constitution Committee and Trustees is available on the Foundation's website, together with an analysis of the comment letters. They may be accessed at www.iasb.org.

Section B: Amended Constitution in marked-up format

(new text is in bold and underlined, and deleted text is struck through)

IASC Foundation Constitution

Part A

Name and objectives

- 1 The name of the organisation shall be the International ~~Accounting Standards Committee~~ **Financial Reporting Standards** Foundation (abbreviated as 'IASC **IFRS** Foundation'), **a name which shall be put into legal effect as soon as practical and then shall replace the name the International Accounting Standards Committee Foundation (IASC Foundation)**. The International Accounting Standards Board (abbreviated as 'IASB'), whose structure and functions are laid out in ~~Sections 24-38~~, shall be the standard-setting body of the IASC **IFRS** Foundation.
- 2 The objectives of the IASC **IFRS** Foundation are:
 - (a) to develop, in the public interest, a single set of high quality, understandable, ~~and enforceable~~ **and globally accepted** ~~accounting~~ **financial reporting** standards **based upon clearly articulated principles. These standards should** ~~that~~ require high quality, transparent and comparable information in financial statements and other financial reporting to help ~~investors, other~~ participants in the world's capital markets and other users **of financial information** 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, **as appropriate, the needs of a range of sizes and types of entities in diverse economic settings,** ~~as appropriate, the special needs of small and medium sized entities and emerging economies; and~~
 - (d) to **promote and facilitate adoption of** International Financial Reporting Standards (**IFRSs**), **being the standards and interpretations issued by the IASB, through the** ~~bring about convergence of national accounting standards and **IFRSs**, International Accounting Standards to high quality solutions.~~

Governance of the IASC **IFRS** Foundation

- 3 The governance of the IASC **IFRS** Foundation shall **primarily** rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. **A Monitoring Board (described further in sections 18-23) shall provide a formal link between the Trustees and public authorities.** The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they ~~are empowered to~~ **may** make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of ~~all~~ the Trustees.

Trustees

- 4 The Trustees shall comprise twenty-two individuals.

- 5 The Monitoring Board (described further in ~~S~~sections 18–23) shall be responsible for the approval of all Trustee appointments and reappointments. In approving such selection, the Monitoring Board shall be bound by the criteria set out in ~~S~~sections 6 and 7. The Trustees and the Monitoring Board shall agree a nomination process that will entitle the Monitoring Board to recommend candidates and provide other ~~help~~ **input**. In administering the nomination process and putting forward nominations to the Monitoring Board for approval, the Trustees shall consult the international organisations ~~as~~ set out in ~~S~~section 7.
- 6 All Trustees shall be required to show a firm commitment to the ~~IASC~~ **IFRS** Foundation and the IASB as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global accounting 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.**
- 7 The Trustees shall comprise individuals that, as a group, provide an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and ~~other~~ officials serving the public interest. Normally, two of the Trustees shall be senior partners of prominent international accounting firms. To achieve such a balance, Trustees should be selected after consultation with national and international organisations of auditors (including the International Federation of Accountants), preparers, users and academics. The Trustees shall establish procedures for inviting suggestions for appointments from these relevant organisations and for allowing individuals to put forward their own names, including advertising vacant positions.
- 8 Trustees shall normally be appointed for a term of three years, renewable once; ~~in order to provide continuity, some of the initial Trustees will serve staggered terms so as to retire after four or five years.~~
- 9 Subject to the voting requirements in ~~S~~section 14, the Trustees may terminate the appointment of an individual as a Trustee on grounds of poor performance, misbehaviour or incapacity.
- 10 The ~~Chairman~~ of the Trustees, **and up to two Vice-Chairs,** shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. **The role of a Vice-Chair shall be to chair meetings of the Trustees in the absence of the Chair or to represent the Chair in external contacts.** With the agreement of the Trustees, and regardless of prior service as a Trustee, the appointee may serve as the ~~Chairman~~ **or a Vice-Chair** for a term of three years, renewable once, from the date of appointment as ~~Chairman~~ **or Vice-Chair, but may not exceed nine years in total length of service as a Trustee. The appointment of a Chair and Vice-Chairs should be made with regard to maintaining a geographical balance.**

- 11 The Trustees shall meet at least twice each year and shall be remunerated by the ~~IASC~~ **IFRS** Foundation with an annual fee and a per-meeting fee, commensurate with the responsibilities assumed, such fees to be determined by the Trustees. Expenses of travel on ~~IASC~~ **IFRS** Foundation business shall be met by the ~~IASC~~ **IFRS** Foundation.
- 12 In addition to the powers and duties set out in ~~Section~~ **Section 13**, the Trustees may make such operational commitments and other arrangements as they deem necessary to achieve the organisation's objectives, including, but without limitation, leasing premises and agreeing contracts of employment with IASB members.
- 13 The Trustees shall:
- (a) assume responsibility for establishing and maintaining appropriate financing arrangements;
 - (b) establish or amend operating procedures for the Trustees;
 - (c) determine the legal entity under which the ~~IASC~~ **IFRS** Foundation shall operate, provided always that such legal entity shall be a ~~Foundation~~ **foundation** or other body corporate conferring limited liability on its members and that the legal documents establishing such legal entity shall incorporate provisions to achieve the same requirements as the provisions contained in this Constitution;
 - (d) review in due course the location of the ~~IASC~~ **IFRS** Foundation, both as regards its legal base and its operating location;
 - (e) investigate the possibility of seeking charitable or similar status for the ~~IASC~~ **IFRS** Foundation in those countries where such status would assist fundraising;
 - (f) open their meetings to the public but may, at their discretion, hold certain discussions (normally only about selection, appointment and other personnel issues, and funding) in private; and
 - (g) publish an annual report on the ~~IASC~~ **IFRS** Foundation's activities, including audited financial statements and priorities for the coming year.
- 14 There shall be a quorum for meetings of the Trustees if 60 per cent of the Trustees are present in person or by telecommunications: Trustees shall not be represented by alternates. Each Trustee shall have one vote, and a simple majority of those voting shall be required to take decisions on matters other than termination of the appointment of a Trustee, amendments to the Constitution, or minor variations made in the interest of feasibility of operations, in which cases a 75 per cent majority of all Trustees shall be required. ~~V~~oting by proxy shall not be permitted on any issue. In the event of a tied vote, the ~~Chairman~~ shall have an additional casting vote.

Part B

Trustees

- 15 In addition to the duties set out ~~above in Part A~~, the Trustees shall:
- (a) appoint the members of the IASB and establish their contracts of service and performance criteria;

- (b) appoint the members of the ~~International Financial Reporting~~ **IFRS** Interpretations Committee **(the Interpretations Committee)** and the ~~Standards~~ **IFRS** Advisory Council **(the Advisory Council)**;
 - (c) review annually the strategy of the ~~IASC~~ **IFRS** Foundation and the IASB and its effectiveness, including consideration, but not determination, of the IASB's agenda;
 - (d) approve annually the budget of the ~~IASC~~ **IFRS** Foundation and determine the basis for funding;
 - (e) review broad strategic issues affecting ~~accounting~~ **financial reporting** standards, promote the ~~IASC~~ **IFRS** Foundation and its work and promote the objective of rigorous application of ~~International Accounting Standards and International Financial Reporting Standards~~ **IFRSs**, provided that the Trustees shall be excluded from involvement in technical matters relating to ~~accounting~~ **financial reporting** standards;
 - (f) establish and amend operating procedures, consultative arrangements and due process for the IASB, the ~~International Financial Reporting~~ Interpretations Committee and the ~~Standards~~ Advisory Council;
 - (g) review compliance with the operating procedures, consultative arrangements and due process as described in (f);
 - (h) approve amendments to this Constitution after following a due process, including consultation with the ~~Standards~~ Advisory Council and publication of an exposure draft for public comment and subject to the voting requirements given in ~~Section~~ 14;
 - (i) exercise all powers of the ~~IASC~~ **IFRS** Foundation except for those expressly reserved to the IASB, the ~~International Financial Reporting~~ Interpretations Committee and the ~~Standards~~ Advisory Council; and
 - (j) foster and review the development of educational programmes and materials that are consistent with the ~~IASC~~ **IFRS** Foundation's objectives.
- 16 The Trustees may terminate the appointment of a member of the IASB, the ~~International Financial Reporting~~ Interpretations Committee or the ~~Standards~~ Advisory Council, on grounds of poor performance, misbehaviour, incapacity or other failure to comply with contractual requirements, and the Trustees shall develop procedures for such termination.
- 17 The accountability of the Trustees shall be ensured *inter alia* through:
- (a) commitment made by each Trustee to act in the public interest;
 - (b) their commitment to report to and engage with the Monitoring Board according to the terms described in ~~Sections~~ 18-23;-
 - (c) their undertaking a review of the entire structure of the ~~IASC~~ **IFRS** Foundation and its effectiveness, such review to include consideration of changing the geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment, the review **beginning** ~~commencing~~ three years after the coming into force of this Constitution, with the objective of implementing any agreed changes five years after the coming into force of this Constitution (~~6 February 2006, five years after the date of the incorporation of the IASC Foundation~~); and
 - (d) their undertaking a similar review subsequently every five years.

The Monitoring Board

- 18 A Monitoring Board will provide a formal link between the Trustees and public authorities. This relationship seeks to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters. A Memorandum of Understanding will be agreed between the Monitoring Board and the Trustees describing the interaction of the Monitoring Board with the Trustees. This Memorandum of Understanding will be made available to the public.
- 19 The responsibilities of the Monitoring Board shall be:
- (a) to participate in the process for appointing Trustees and to approve the appointment of Trustees according to the guidelines in ~~S~~sections 5-8.
 - (b) to review and provide advice to the Trustees on their fulfilment of the responsibilities set out in ~~S~~sections 13 and 15. The Trustees shall make an annual written report to the Monitoring Board.
 - (c) to meet the Trustees or a subgroup of the Trustees at least once annually, and more frequently as appropriate. The Monitoring Board shall have the authority to request meetings with the Trustees or separately with the ~~Chairman~~ of the Trustees (with the ~~Chairman~~ of the IASB as appropriate) about any area of work of either the Trustees or the IASB. These meetings may include discussion of ~~and any IASC Foundation or IASB proposed resolution of~~, issues that the Monitoring Board has referred for timely consideration by the ~~IASC~~ **IFRS** Foundation or the IASB, **and of any proposed resolution of those issues by the IFRS Foundation or IASB.**
- 20 The Monitoring Board shall develop a charter that sets out its organisational, operating and decision-making procedures. The charter shall be made public.
- 21 Initially, the Monitoring Board shall comprise:
- (a) the responsible member of the European Commission;
 - (b) the chair of the IOSCO Emerging Markets Committee;
 - (c) the chair of the IOSCO Technical Committee (or vice-chair or designated securities commission chair in cases where either the ~~chairman~~ of an EU securities regulator, commissioner of the Japan Financial Services Agency or ~~chairman~~ of the US Securities and Exchange Commission is the chair of the IOSCO Technical Committee);
 - (d) the commissioner of the Japan Financial Services Agency;
 - (e) the ~~chairman~~ of the US Securities and Exchange Commission; and
 - (f) as an observer, the ~~chairman~~ of the Basel Committee on Banking Supervision.
- 22 The Monitoring Board shall reconsider its composition from time to time relative to its objectives.
- 23 The Monitoring Board shall reach decisions to approve the appointment of Trustees and establish any common positions by consensus.

IASB

- 24 The IASB shall comprise fourteen members, increasing to sixteen members at a date no later than 1 July 2012. The members of the IASB are appointed by the Trustees under ~~S~~section 15(a). Up to

three members may be part-time members (the expression 'part-time' meaning that the members concerned commit most of their time in paid employment to the IASC IFRS Foundation) and shall meet appropriate guidelines of independence established by the Trustees. The remaining members shall be full-time members (the expression 'full-time' meaning that the members concerned commit all of their time in paid employment to the IASC IFRS Foundation). The work of the IASB shall not be invalidated by its failure at any time to have a full complement of members, although the Trustees shall use their best endeavours to achieve a full complement.

25 The main qualifications for membership of the IASB shall be professional competence and practical experience. The Trustees shall select members of the IASB, consistently with the Criteria for IASB ~~M~~members set out in the Annex to the Constitution, so that it will comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in order to contribute to the development of high quality, global ~~accounting~~ **financial reporting** standards. The members of the IASB shall be required to commit themselves formally to acting in the public interest in all matters. No individual shall be both a Trustee and an IASB member at the same time.

26 In a manner consistent with the ~~C~~criteria for IASB ~~M~~members as set out in the Annex to the Constitution and in order to ensure a broad international basis, there shall normally be, by 1 July 2012:

- (a) four members from the Asia/Oceania region;
- (b) four members from Europe;
- (c) four members from North America;
- (d) one member from Africa;
- (e) one member from South America; and
- (f) two members appointed from any area, subject to maintaining overall geographical balance.

The work of the IASB shall not be invalidated by its failure at any time to have a full complement of members according to the above geographical allocation, although the Trustees shall use their best endeavours to achieve the geographical allocation.

27 The Trustees shall select IASB members so that the IASB as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics.

28 The IASB will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters, ~~other standard-setters~~, and other official bodies ~~concerned~~ with **an interest in accounting** 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**.

29 Each full-time and part-time member of the IASB shall agree contractually to act in the public interest and to have regard to the IASB's *Framework* (as amended from time to time) in deciding on and revising standards.

30 The Trustees shall appoint one of the full-time members as ~~the Chairman~~ of the IASB, who shall also be the Chief Executive of the IASC IFRS Foundation. ~~One~~ **Up to two** of the full-time members of the IASB ~~shall may~~ also be designated by the Trustees as ~~a Vice-Chairman~~, whose role shall be to chair meetings of the IASB in the absence of the ~~Chairman~~ **or to represent the Chair in external contacts** in unusual circumstances (such as illness). The appointment of the ~~Chairman~~

and the designation as Vice-Chairman shall be for such term as the Trustees decide. The title of Vice-Chairman would not imply that the individual **member (or members)** concerned is **(or are)** the Chairman-elect. **The appointment of a Chair and Vice-Chairs should be made with regard to maintaining a geographical balance.**

- 31 Members of the IASB **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 IASB appointed after 2 July 2009 shall be appointed initially for a term of five years. Terms are renewable once for a further term of three years, with the exception of the Chair and a Vice-Chair. The Chair and a Vice-Chair may serve a second term of five years, but may not exceed ten years in total length of service as a member of the IASB.**
- 32+ The Trustees shall develop rules and procedures to ensure that the IASB is, and is seen to be, independent, and, in particular, on appointment, full-time members of the IASB shall sever all employment relationships with current employers and shall not hold any position giving rise to economic incentives which might call into question their independence of judgement in setting ~~accounting~~ **financial reporting** standards. Secondments and any rights to return to an employer would therefore not be permitted. Part-time members of the IASB would not be expected to sever all other employment arrangements.
- 32 ~~The terms of appointment of members of the IASB shall be staggered so that not all members retire at once. To accomplish this, the Trustees shall consider initial terms of three years for some members, four years for others and a full five years for the remaining initial members.~~
- 33 Full-time and part-time members of the IASB shall be remunerated at rates commensurate with the respective responsibilities assumed: such rates shall be determined by the Trustees. Expenses of travel on IASB business shall be met by the IASC **IFRS** Foundation.
- 34 The IASB shall meet at such times and locations as it determines: meetings of the IASB shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the discretion of the IASB.
- 35 Each member of the IASB shall have one vote. On both technical and other matters, proxy voting shall not be permitted nor shall members of the IASB be entitled to appoint alternates to attend meetings. In the event of a tied vote, on a decision that is to be made by a simple majority of the members of the IASB present at a meeting in person or by telecommunications, the Chairman shall have an additional casting vote.
- 36 The publication of an exposure draft, or an **IFRS International Financial Reporting Standard** (including an International Accounting Standard or an Interpretation of the ~~International Financial Reporting~~ Interpretations Committee) shall require approval by nine members of the IASB, if there are fewer than ~~16~~ **sixteen** members or by ten members if there are ~~16~~ **sixteen** members. Other decisions of the IASB, including the publication of a discussion paper, shall require a simple majority of the members of the IASB present at a meeting that is attended by at least 60 per cent of the members of the IASB, in person or by telecommunications.
- 37 The IASB shall:
- (a) have complete responsibility for all IASB technical matters including the preparation and issuing of ~~International Accounting Standards, International Financial Reporting Standards~~ **IFRSs (other than Interpretations)** and exposure drafts, each of which shall include any dissenting opinions, and ~~final~~ **the** approval **and issuing** of Interpretations ~~developed~~ by the ~~International Financial Reporting Interpretations Committee~~.

- (b) publish an exposure draft on all projects and normally publish a discussion document for public comment on major projects **in accordance with procedures approved by the Trustees;**
- (c) **in exceptional circumstances, and only after formally requesting and receiving prior approval from 75 per cent of the Trustees, reduce, but not dispense with, the period for public comment on an exposure draft below that described as the minimum in the Due Process Handbook**
- (~~e~~)(d) have full discretion in developing and pursuing ~~the~~ its technical agenda ~~of the IASB and~~, **subject to the following:**
 - (i) **consulting the Trustees (consistently with section 15(c)) and the Advisory Council (consistently with section 44(a)); and**
 - (ii) **carrying out a public consultation every three years, the first of which shall begin no later than 30 June 2011.**
- (e) **have full discretion** over project assignments on technical matters: in organising the conduct of its work, the IASB may outsource detailed research or other work to national standard-setters or other organisations.
- (~~d~~)(i)(f) establish procedures for reviewing comments made within a reasonable period on documents published for comment.
- (~~d~~)(ii)(g) ~~normally form working groups or other types of specialist advisory groups to give advice on major projects;~~
- (~~d~~)(iii)(h) consult the ~~Standards~~ Advisory Council on major projects, agenda decisions and work priorities; ~~and~~
- (~~d~~)(iv)(i) normally ~~issue bases~~ **publish a basis** for conclusions with ~~International Accounting Standards, International Financial Reporting Standards, and~~ **an IFRS or an** exposure drafts;
- (~~e~~)(j) consider holding public hearings to discuss proposed standards, although there is no requirement to hold public hearings for every project;
- (~~f~~)(k) consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project; ~~and~~.
- (~~g~~)(l) give reasons if it does not follow any of the non-mandatory procedures set out in (b), (~~d~~)(ii)(g), (~~d~~)(iv)(i), (~~e~~)(j) and (~~f~~)(k).

38 The authoritative text of any exposure draft, ~~or International Accounting Standard or International Financial Reporting Standard or draft or final Interpretation~~ **or IFRS** shall be that published by the IASB in the English language. The IASB may publish authorised translations or give authority to others to publish translations of the authoritative text of exposure drafts, ~~and International Accounting Standards and International Financial Reporting Standards and draft and final Interpretations~~ **and IFRSs**.

International Financial Reporting IFRS Interpretations Committee (the Interpretations Committee)

- 39 The **Interpretations Committee, formerly called the** International Financial Reporting Interpretations Committee, shall comprise fourteen voting members, appointed by the Trustees under ~~§~~section 15(b) for renewable terms of three years. The Trustees shall select members of the **Interpretations** Committee so that it comprises a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in the practical application of ~~International Financial Reporting Standards (IFRSs)~~ and analysis of financial statements prepared in accordance with IFRSs. Expenses of travel on **Interpretations** Committee business shall be met by the ~~IASC~~ **IFRS** Foundation.
- 40 The Trustees shall appoint a member of the IASB, the Director of Technical Activities or another senior member of the IASB staff, or another appropriately qualified individual, to chair the **Interpretations** Committee. The Chair has the right to speak to the technical issues being considered but not to vote. The Trustees, as they deem necessary, shall appoint as non-voting observers representatives of regulatory organisations, who shall have the right to attend and speak at meetings.
- 41 The **Interpretations** Committee shall meet as and when required and ten voting members present in person or by telecommunications shall constitute a quorum: one or two IASB members shall be designated by the IASB and shall attend meetings as non-voting observers; other members of the IASB may attend and speak at the meetings. On exceptional occasions, members of the **Interpretations** Committee may be allowed to send non-voting alternates, at the discretion of the Chair of the **Interpretations** Committee. Members wishing to nominate an alternate should seek the consent of the Chair in advance of the meeting concerned. Meetings of the **Interpretations** Committee shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the **Interpretations** Committee's discretion.
- 42 Each member of the **Interpretations** Committee shall have one vote. Members vote in accordance with their own independent views, not as representatives voting according to the views of any firm, organisation or constituency with which they may be associated. Proxy voting shall not be permitted. Approval of draft or final Interpretations shall require that not more than four voting members vote against the draft or final Interpretation.
- 43 The **Interpretations** Committee shall:
- (a) interpret the application of ~~International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs)~~ and provide timely guidance on financial reporting issues not specifically addressed in ~~IASs and~~ IFRSs, in the context of the IASB's *Framework*, and undertake other tasks at the request of the IASB;
 - (b) in carrying out its work under (a) above, have regard to the IASB's objective of working actively with national standard-setters to bring about convergence of national accounting standards and ~~IASs and~~ IFRSs to high quality solutions;
 - (c) publish after clearance by the IASB draft Interpretations for public comment and consider comments made within a reasonable period before finalising an Interpretation; and
 - (d) report to the IASB and obtain the approval of nine of its members for final Interpretations **if there are fewer than sixteen members, or by ten of its members if there are sixteen members.**

Standards IFRS Advisory Council (the Advisory Council)

- 44 The **Advisory Council, formerly called the** Standards Advisory Council, whose members shall be appointed by the Trustees under ~~S~~section 15(b), provides a forum for participation by organisations and individuals, with an interest in international financial reporting, having diverse geographical and functional backgrounds, with the objective of:
- (a) giving advice to the IASB on agenda decisions and priorities in the IASB's work,
 - (b) informing the IASB of the views of the organisations and individuals on the **Advisory Council** on major standard-setting projects and
 - (c) giving other advice to the IASB or the Trustees.
- 45 The **Advisory Council** shall comprise thirty or more members, having a diversity of geographical and professional backgrounds, appointed for renewable terms of three years. The ~~Chairman~~ of the **Advisory Council** shall be appointed by the Trustees, and shall not be a member of the IASB or a member of its staff. The Trustees shall invite the ~~Chairman~~ of the **Advisory Council** to attend and participate in the Trustees' meetings, as appropriate.
- 46 The **Advisory Council** shall normally meet at least three times a year. Meetings shall be open to the public. The **Advisory Council** shall be consulted by the IASB in advance of IASB decisions on major projects and by the Trustees in advance of any proposed changes to this Constitution.

Chief Executive and staff

- 47 As provided under ~~S~~section ~~30~~ 24, the ~~Chairman~~ of the IASB shall also be the Chief Executive of the **IASC IFRS Foundation**, and shall be subject to supervision by the Trustees.
- 48 The Chief Executive shall be responsible for **establishing the senior staff management team, the staffing of the IASB IFRS Foundation, which shall include a Director of Technical Activities appointed by the Chief Executive in consultation with the Trustees; the Director of Technical Activities, while not a member of the IASB, shall be entitled to participate in the debate but not to vote at meetings of the IASB and the International Financial Reporting Interpretations Committee.**
- 49 ~~A Director of Operations and a Commercial Director shall also be appointed by the Chief Executive in consultation with the Trustees. They shall have responsibility for publications and copyright, communications, administration, and finance under the supervision of the Chief Executive and for fundraising under the supervision of the Trustees.~~

Administration

- ~~50~~**49** The administrative office of the **IASC IFRS Foundation** shall be located in such location as may be determined by the Trustees in accordance with ~~S~~section 13(d).
- ~~51~~**50** The **IASC IFRS Foundation** shall be a legal entity as determined by the Trustees and shall be governed by this Constitution and by any laws which apply to such legal entity, including, if appropriate, laws applicable because of the location of its registered office.
- ~~52~~**51** The **IASC IFRS Foundation** shall be bound by the signature(s) of such person or persons as may be duly authorised by the Trustees.

International Accounting Standards Committee Foundation

Criteria for IASB Members

The following would represent criteria for IASB membership:

- 1 **Demonstrated Technical Competency and Knowledge of Financial Accounting and Reporting.** All members of the IASB, regardless of whether they are from the accounting profession, preparers, users, or academics, should have demonstrated a high level of knowledge and technical competency in financial accounting and reporting. The credibility of the IASB and its individual members and the effectiveness and efficiency of the organisation will be enhanced with members who have such knowledge and skills.
- 2 **Ability to Analyse.** IASB members should have demonstrated the ability to analyse issues and consider the implications of that analysis for the decision-making process.
- 3 **Communication Skills.** Effective oral and written communication skills are necessary. These skills include the ability to communicate effectively in private meetings with IASB members, in public meetings, and in written materials such as ~~accounting~~ **financial reporting** standards, speeches, articles, memos and **external** correspondence ~~with constituents~~. Communication skills also include the ability to listen to and consider the views of others. While a working knowledge of English is necessary, there should not be discrimination in selection against those for whom English is not their first language.
- 4 **Judicious Decision-making.** IASB members should be capable of considering varied viewpoints, weighing the evidence presented in an impartial fashion, and reaching well-reasoned and supportable decisions in a timely fashion.
- 5 **Awareness of the Financial Reporting Environment.** High quality financial reporting will be affected by the financial, business and economic environment. IASB members should have an understanding of the global economic environment in which the IASB operates. This global awareness should include awareness of business and financial reporting issues that are relevant to, and affect the quality of, transparent financial reporting and disclosure in the various capital markets worldwide, including those using ~~International Financial Reporting Standards~~ **IFRSs**.
- 6 **Ability to Work in a Collegial Atmosphere.** Members should be able to show respect, tact and consideration for one another's ~~and constituents'~~ **and those of third parties**. Members must be able to work with one another in reaching consensus views based on the IASB's objective of developing high quality and transparent financial reporting. Members must be able to put the objective of the IASB above individual philosophies and interests.
- 7 **Integrity, Objectivity and Discipline.** The credibility of members should be demonstrated through their integrity and objectivity. This includes intellectual integrity as well as integrity in dealing with fellow IASB members and ~~constituents~~ **others**. Members should demonstrate an ability to be objective in reaching decisions. Members also should demonstrate an ability to show rigorous discipline and carry a demanding workload.
- 8 **Commitment to the IASC IFRS Foundation's Mission and Public Interest.** Members should be committed to achieving the objective of the ~~IASC~~ **IFRS** Foundation of establishing international ~~accounting and~~ financial reporting standards that are of high quality, comparable, and transparent. A candidate for the IASB ~~also~~ **also** should be committed to serving the public interest through a private standard-setting process.

Section C: Commentary on Part 2 of the proposed changes to the Constitution and the Trustees' conclusions

Explaining the changes that have been made and providing feedback to respondents

- 1 In 2007, in the light of the rapid advance of the adoption of International Financial Reporting Standards (IFRSs) and increased interaction with external parties, the Trustees undertook a long-term assessment of the organisation's objectives and future strategy. This strategic review formed the basis of the second five-yearly review of the Constitution, which began in January 2008. As part of the review, the Trustees met prominent stakeholders from around the world with an interest in accounting standard-setting, including regulators, accounting and business organisations, and the Standards Advisory Council.
- 2 Consultation with those stakeholders confirmed what the Trustees had always recognised, that the independence of the Foundation and of the International Accounting Standards Board (IASB), its standard-setting body, is paramount in ensuring the development of high quality accounting standards. However, for IFRSs to have global endorsement and to be of a consistently high quality, the IASB must be accountable and transparent and the standards must remain relevant to investors, preparers and users. This would therefore necessitate higher levels of IASB outreach, consultation and feedback.
- 3 The Trustees also considered it imperative to strengthen the independence of the Foundation by building a stable and sustainable funding base in the form of assured government sponsored levy systems. They have actively sought to negotiate agreements with governments and oversight bodies to ensure the sustainability of the Foundation's funding.
- 4 On 15 January 2009 in New Delhi, India, the Trustees completed the first part of their five-yearly review of the Foundation's Constitution. The first part of the review sought to enhance the Foundation's public accountability by creating a direct link to a Monitoring Board of public authorities. The link between the Trustees of the Foundation and the Monitoring Board sought to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters.
- 5 In addition, the Trustees helped ensure the international basis of the IASB by expanding its membership from 14 to 16 by July 2012, and set out geographical guidelines for the membership. The revised Constitution came into effect on 1 February 2009.
- 6 In launching the second part of the review, the Trustees, at their meeting in Beijing in October 2008, built upon the improvements introduced in the first review, and sought to enhance the transparency of the Foundation, the accountability of the Trustees and the IASB and to address concerns raised by stakeholders. The emphasis was on expanding stakeholder engagement and outreach, whilst enhancing governance. A consultation document was published in December 2008 for comment by 31 March 2009. The Trustees reviewed the responses at their meeting in Amsterdam in July. On the basis of the comments received, they decided to refine their thinking and in September 2009 published a further consultation document, *Part 2 of the Constitution Review—Identifying issues for review of the Constitution—Proposals for Enhanced Public Accountability*. The closing date for responses was 30 November 2009.
- 7 The Trustees, once again, consulted a wide range of interested parties. The consultations included a series of round-table meetings, which were held in London on 9 September, in New York on 6 October and in Tokyo on 21 October. Those meetings were attended by a broad range of interested parties and demonstrated the Trustees' commitment to a high level of

interaction and face-to-face discussion with interested parties. In addition, 69 individuals and organisations from around the globe responded to the Foundation's proposals. A list of the comment letters received with a link to each letter is available on the Foundation's website at www.iasb.org.

- 8 Respondents welcomed recent efforts to improve the governance of the IASB and strengthen its transparency and accountability, following the first part of the review. However, some pressed for deeper reforms in the organisation's governance. Others called on the Trustees to undertake a more strategic review of the organisation's direction, approach and resources. Most respondents supported the view that maintaining the independence of the Foundation and the IASB was paramount in ensuring the development of high quality accounting standards and emphasised the need for global adoption of IFRSs.
- 9 Many of the matters that were raised during the round-table meetings were also raised consistently in the written responses. There was consensus on many of the issues identified. But, at the same time, variations emerged in emphasis and tone, reflecting differences in perspective and jurisdictional influences. In particular a distinction could be drawn between respondents representing preparers of financial statements and those representing standard-setters and regulators.
- 10 Most respondents emphasised the need for the Foundation and the IASB to remain transparent and accountable to stakeholders and therefore focused their attention on:
- 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.
- 11 The funding of the Foundation was also raised as a matter of concern. Many participants, while acknowledging that the Foundation had a difficult task negotiating with so many different jurisdictions and regions, pointed out that the Foundation needed to establish a sustainable funding regime as quickly as possible if it was to secure independence. Without independence there was the danger of a retreat from due process.
- 12 An analysis of the comments received from the respondents and of the views expressed at the three round-table meetings, together with the Trustees' conclusions and reasons, is set out below, in order of the questions posed by the Trustees.

Question 1

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?

- 13 Following the publication of the consultation document in December 2008, some respondents pointed out that the name of the IASC Foundation and the IASB did not reflect the name of their standards. They suggested that the names of the structures should be aligned with the standards produced by the organisation. There was also concern that the name was confusing to many and did not reflect the existing organisation. The Trustees therefore sought views on this when they published the second consultation document in September 2009.
- 14 Responses to this question were mixed. Whilst many were in agreement with the proposed changes, recognising that there was an element of confusion, many were not supportive of the proposal to change the IASB's name. Most agreed with the proposed change of the IASC Foundation to the IFRS Foundation, because the latter term better reflected the fact that the organisation's focus is the publication of IFRSs. Furthermore, it would have limited implications beyond the mere name change.
- 15 However, there was much less support for the suggested change from the IASB to the IFRS Board because the IASB is a strong and well-recognised brand.
- 16 The reasons given by those who did not support the change in name for the IASB included the following:
- The IASB was well respected and a recognised brand.
 - The IASB's name mirrors that of other major standard-setters around the world (for example the US Financial Accounting Standards Board, the UK Accounting Standards Board etc).
 - It is well known that IFRSs are issued by the IASB; therefore changing 'IASC Foundation' to 'IFRS Foundation' would be sufficient to establish the link between the Foundation and the IASB.
 - Changing from the IASB to IFRS Board could have legal consequences for those countries that have expressly incorporated IFRSs into their legislation.
- 17 The Trustees concluded that it would be sensible to change the name of the IASC Foundation to the IFRS Foundation because it would remove ambiguity and confusion and better explain the link between the Foundation and IFRSs. However, they decided that the IASB's name should remain unchanged for all the good reasons cited by respondents.
- 18 The Trustees were of the view that it would be sensible to ensure consistency of titles, and therefore decided to change the name of the Standards Advisory Council (SAC) to the IFRS Advisory Council (Advisory Council) and the International Financial Reporting Interpretations Committee to the IFRS Interpretations Committee (Interpretations Committee). However, the interpretations developed by the Interpretations Committee will continue to be known as IFRICs.
- 19 The Trustees recognised that changing the name of the Foundation itself would depend on complying with the legal obligation to register the change. However, they did not want to delay the other changes and therefore decided to include in the Constitution appropriate transitional language. By this means the amended Constitution could take effect on 1 March 2010, with the change of name being made as soon as reasonably possible later.

- 20 The Constitution will be amended to remove the transitional wording once the name change takes effect.

Question 2

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?

- 21 Many were in support of the proposed change but some did not support it. Those that were in favour of the change were also in favour of the proposed name change, because they saw it as a logical extension of the proposals to change the name of the organisation. Likewise, the majority not in favour were those that did not support any proposed name change.
- 22 Some who supported the proposed change did not attach much significance to the proposed changes.
- 23 Reasons given for objecting to the change included:
- The change from 'Accounting' to 'Reporting' is a limitation in scope, particularly relevant regarding the reliability and validity of transactions in audited accounts. 'Accounting' as a word means validating transactions, 'Reporting' merely takes them as read.
 - The Foundation and the IASB should have only one goal and that was to set accounting standards.
 - It was unnecessary 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.
- 26 One respondent pointed out that some constituents might not understand the reasons for suggesting the proposed change, nor might they appreciate the scope of the term 'financial reporting standards'. Consequently, it was suggested that the Foundation should take the opportunity to clarify these matters.
- 27 The Trustees noted that when the IASB began operations in April 2001 it announced that the Trustees had agreed that accounting standards issued by the IASB should be designated 'International Financial Reporting Standards' (IFRSs). The change of title was not simply a means of distinguishing the new standards developed by the IASB from those inherited from its predecessor body; it was intended to make clear that the IASB's guidance could extend to matters, for example management commentary, that might be thought outside the scope of the narrower term 'accounting standards'.
- 28 With the change of name of the organisation agreed, the Trustees took the view that it was timely and appropriate to replace all references to 'accounting standards' with 'financial reporting standards' throughout the Constitution as this would accord with the name change of the Foundation, and IFRSs.

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?

29 The responses 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 Foundation and its emphasis on providing standards for the world's capital markets and listed entities. A small minority said that the Trustees should broaden the Foundation's remit to include the public sector and the not-for-profit sector, if not for the immediate term, for the long term. There was also strong support for the IASB co-operating and interacting with bodies with similar interests. This point is addressed in greater detail in Question 8 below.

Reference to SMEs and emerging economies

30 Most respondents strongly supported the inclusion in the Constitution of an express reference to the challenges faced by small and medium-sized entities (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 provide for listed companies.

31 Some respondents thought the reference to 'emerging economies' was confusing and outdated. It was unclear whether the Trustees were referring to 'second tier' economies (eg Argentina, Brazil, China, India, Russia etc) or to developing economies. If it was the latter, then to avoid misunderstanding, the more accurate term was 'developing economies'. The other alternative was to refer to 'developing countries and economies in transition', which was the phrase developed by UNCTAD-ISAR. One respondent suggested that a more appropriate phrase would be 'to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings'.

32 Aligned to this was the suggestion made by one or two respondents 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'

- 33 All respondents 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 thought 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

- 34 Both at the round-table meetings and in the written responses, there was overwhelming support for including in paragraph (a) a reference to principle-based standards. 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. To include in the Constitution a reference to a principle-based approach would be therefore be appropriate, providing no attempt was made at this level to define the concept of 'principle-based' standards or standard-setting.

Convergence objective

- 35 Some respondents, 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.
- 36 The suggestion was that the convergence objective should be replaced with the objective of promoting and facilitating national adoption of IFRSs.

Stewardship

- 37 Some European respondents argued that the Trustees should align the Constitution with the new Conceptual Framework by addressing stewardship as well as economic decision-making. Accordingly the Constitution should address stewardship amongst its objectives. It was pointed out 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

- 38 Within this broad support, there were some further observations:
- A minority of respondents, particularly from Australia and New Zealand, called for an expansion of the organisation's objectives to make the standards sector-neutral.
 - Respondents representing investors all commented that the objectives of the Foundation should be altered to better meet their users' needs.
 - Whilst acknowledging that there is still significant work required to fulfil the existing private sector mandate, some 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 IFRSs to address accounting issues commonly found in the public and not-for-profit arenas as well as in the private sector. These respondents were of the view that in omitting such a broader focus from the Constitution risks unnecessary divergence in the development of standards applicable to like transactions.

39 The Trustees considered the comments received and were swayed by some of them. They therefore concluded that it would be appropriate to amend the objects clause to reflect the following changes:

- the objective to have the standards globally accepted and used.
- an emphasis on principle-based standards.
- explicit reference to investors as a target audience, without minimising the role of other interested parties.
- wording to reflect a more up-to-date reference to emerging economies.
- to move from convergence being an end in itself to being a means of achieving the objective of facilitating and promoting the adoption of IFRSs.

Each of these changes is discussed below:

The objective to have the standards globally accepted and used

40 The Trustees approved this change, noting that it had received overwhelming support and accorded with the principle that stakeholders should accept IFRSs if they are to be adopted globally.

Principle-based standards

41 The Trustees acknowledged the overwhelming amount of support for this change and the strong arguments put forward. Furthermore, they took the view that it is a well-established fact that IFRSs are principle-based standards and the Foundation and the IASB are committed to principle-based accounting as opposed to rule-based accounting.

42 The Trustees were satisfied that there was no necessity to define the concept of 'principle-based' standards or standard-setting in detail, as this level of detail was inappropriate for the Constitution. Consequently, a general reference to developing standards on clearly articulated principles as an objective of the Foundation was considered appropriate.

Explicit reference to users

43 The Trustees decided to include in the objects clause a reference to investors, since over the years it has been widely argued that users, especially investors, are the primary beneficiaries of international accounting standards. However, the Trustees did not wish to minimise the importance of other users of financial information, including regulators and prudential supervisors, and as a consequence the wording of the section has been kept as open as possible.

Up-to-date reference to emerging economies

44 In the light of the comments and suggestions received, the Trustees accepted that their original suggested wording in section 2(c) was somewhat dated and restrictive. Consequently they decided to change the section to ensure that it was both broader and more flexible in scope.

Convergence as a means to promote the adoption of IFRSs

- 45 The Trustees took the view that convergence is a means to facilitate adoption of IFRSs. Consequently, they decided to make this change to reflect the Foundation's continuing commitment to both convergence and adoption. Convergence is important because it makes adoption easier and more likely. However, the ultimate goal has always been, and remains, adoption. The Trustees are committed to convergence—and deeply so—because it is a step towards adoption, but not as an end in itself.

Question 4
Amendments to section 3

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?

- 46 Most respondents emphasised their support for establishing the Monitoring Board and its link with the Trustees, noting that was a necessary and appropriate measure to establish public oversight and enhance the credibility of both the IASB and the Foundation.
- 47 Most were supportive of the proposed changes to section 3 and welcomed them. This support 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 Memorandum of Understanding (MoU) between the two bodies and therefore have no place in the Constitution. Accordingly the proposed changes to section 3 were sufficient.
- 48 Some recommended going further in the Constitution, by providing that if the Trustees are to make minor variations in its operation, they 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.
- 49 Some European respondents expressed the view that the proposed changes did not go far enough and that the IASB should be directly accountable to the Monitoring Board.
- 50 However, other respondents, especially investor groups and those from outside Europe, expressed concern that the Monitoring Board should respect and help to strengthen the independence of the Trustees and the IASB. They argued that it was imperative for the operational and technical independence of the IASB to be maintained and that there should be no interference in the governance of the Foundation. They took the view that the Monitoring Board must be constrained to oversight and accountability of the Foundation and they would strongly oppose any involvement of the Monitoring Board in the work of the IASB. One respondent recommended that section 19(c) of the Constitution should be amended to reflect expressly and clearly that it related solely to aspects of governance.

- 51 Furthermore, the Trustees took the view that the proposed change to section 3 ensured that there was no confusion regarding the separate functions and duties of the Trustees and the Monitoring Board. The main responsibilities of the Monitoring Board are to ensure that the Trustees continue to discharge their duties as defined by the Foundation's Constitution and to approve the appointment or reappointment of Trustees. The Trustees, on the other hand, are responsible for the strategic direction and development of the Foundation, raising sufficient funding to maintain the IASB and to carry out an oversight function over the IASB, ensuring that it complies with its functions and obligations, including its due process obligations.

Question 5

Composition of the 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 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?

- 52 Nearly all respondents were in favour of the proposal to include Trustees from Africa and South America, especially in the light of the recent similar changes to the IASB. However, they stressed that the main criteria for Trustee appointment should continue to be individuals with the mix of skills best able to develop and promote the Foundation, IFRSs of the highest quality and an ability to act in the public interest.
- 53 Within this wide agreement, the view was expressed that there was a need to clarify how the geographical balance of the Trustees is reached and to explain the purpose of having a geographically representative membership of the Trustees.
- 54 There were also comments on the geographical allocation of the Trustees and how the Foundation makes its election. Some respondents recommended that it would be far preferable for the Trustees to indicate how they allocate their geographical balance and what principles drive the weight of different regions within the Trustees.

- 55 Some pointed out that until now, despite the geographical allocation in the Constitution, the largest and most influential countries seemed to be guaranteed membership of the Trustees. If this practice continued smaller countries within a region might never be represented by a Trustee.
- 56 The Trustees took 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 Trustees. Furthermore, this reflected the recent similar change made to the composition of the IASB in the first part of the review. Consequently they decided to make the proposed change.
- 57 Whilst the Trustees saw no need for further change to the Constitution, they acknowledged that there should be greater rotation within the regional allocations to ensure that individuals from many countries within a region have an opportunity to serve as Trustees.

Question 6

Vice-Chairmen of the 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?

- 58 Almost all respondents supported the proposed appointment of up to two Vice-Chairs of the Trustees to share the Chair's obligations and functions as well as to cover in the event of the Chair being unavailable or unable to continue with his duties. The Vice-Chair will also be able to assist in geographical outreach and fundraising. Respondents suggested that, to avoid any confusion, the functions and obligations of the Chair and the Vice-Chair should be clearly spelled out in the Constitution.
- 59 One respondent argued that the provision should be subject to a maximum term limit (as was proposed for IASB members in question 9). As drafted the Constitution was ambiguous and would allow a Trustee to serve for 18 years (six years as a Trustee, six as Vice-Chair; and six as Chair). The respondent recommended a maximum term of nine years to balance experience and longevity.
- 60 Some suggested replacing the gender-specific words 'Chairman' and 'Vice-Chairman' with the gender-neutral 'Chair' and 'Vice-Chair'. There was also the suggestion that the Trustees should consider introducing in the Constitution itself requirements on geographical spread and language diversity.

- 61 The Trustees noted that as the IASB becomes a global standard-setter, the consultation, liaison and communication tasks for the Trustees continue to grow. These demands cannot be adequately met by a single Chair. Furthermore, the facility to appoint up to two Vice-Chairs would enable the Trustees to be represented by a broader geographical balance of individuals. The Trustees therefore concluded that it was essential to have the flexibility to appoint up to two Vice-Chairs to share the stakeholder outreach obligations and assist in achieving the objectives of the Foundation.
- 62 The Trustees also incorporated language to clarify the role and function of the Vice-Chairs, so as to avoid any doubt.
- 67 The Trustees agreed with the proposal to replace the gender-specific word 'Chairman' with the gender-neutral 'Chair'. All gender-specific wording would be removed from the Constitution and replaced with gender-neutral language.
- 63 The Trustees agreed with the concerns expressed that there was no maximum term limit and added the provision that the maximum term for the Chair and the Vice-Chair should not exceed nine years in total length of service as a Trustee.
- 64 The Trustees also approved language to be added to ensure geographical balance in order to eliminate the possibility that the Chair and the Vice-Chair could come from the same region.

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.

- 65 Most respondents supported the proposal to make no specific amendments to sections 13 and 15 and welcomed the Trustees' stated intention to address the concerns referred to above by enhancing the reporting of their due process oversight and accountability. Respondents thought that this would be most helpful. They also urged the Trustees to identify to whom they owe their accountability.
- 66 Some European respondents took the view that the provisions of the Constitution on due process and the oversight and accountability of the Trustees were more than sufficient; their concern was how the Trustees fulfil those responsibilities. They observed that the operations of the Trustees are not well understood and that some of the stress on the organisation stemmed from this lack of understanding. The Trustees were therefore encouraged to document their operating procedures in a manner similar to the IASB, the Interpretations Committee and the Advisory Council.

Responsiveness and independence of the IASB

- 67 Although most of the comments received urged 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, many respondents expressed concern that the independence of the IASB should not be undermined. They urged that the Trustees' oversight function should necessarily include the duty to protect the independence of the standard-setting process and the IASB, thereby ensuring and reinforcing the legitimacy and validity of IFRSs.

Strategic review

- 68 Although not strictly a matter for the Constitution, some respondents pointed out that 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 Foundation. In their view, the Trustees should launch a separate review, including public consultation, within the next 12 months to consider the strategic issues associated with the expected increases in the IFRS user base over the next five to ten years. Such a review would take into account those countries that will be adopting or preparing to adopt IFRSs in 2011 onwards. Unless such a review was carried out, the Foundation would run the risk of lagging behind demand and losing effectiveness, credibility and support.
- 69 The Trustees agreed that there was no need to make any changes to sections 13 and 15 but that they would better communicate and publicise their oversight activities and duties and ensure that stakeholders were better informed of how the Due Process Oversight Committee and the Trustees discharge their oversight functions. The Trustees also agreed that the Committee should review the oversight framework and its fulfilment of the oversight functions. This would be reported back to the full Trustees and published on the Foundation's website.
- 70 The Trustees acknowledged the need for the IASB to be more responsive to stakeholders and interested parties and will bear this in mind when carrying out their oversight function in the future. Furthermore, to facilitate the need for greater responsiveness, the Trustees approved changes to the agenda-setting process, which is discussed below. The Trustees were of the opinion that the introduction of feedback statements, effect analyses and other improvements to the due process procedures in 2008 would also improve the IASB's feedback and outreach activities. The Trustees noted that the IASB staff had recently carried out extensive outreach projects to help shape and develop the standards that are in the process of being drafted and this has proved to be most valuable for both the IASB and the stakeholders concerned. This will be the normal *modus operandi* for the future.
- 71 The Trustees agreed with those respondents that it was essential to undertake a full strategic review of the organisation beyond June 2011, including the financing of the organisation. They decided that the review would start in March 2010 and would include public consultation with stakeholders and the Monitoring Board.

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?

- 72 Again, there was unanimity in the replies given to this question. Most respondents confirmed the need for the Foundation to collaborate with and consult a wide range of organisations that have interests and goals similar to the Foundation's. The main reason given was that wide consultation is imperative to reinforce the legitimacy of accounting standards, to take into account all interests and concerns and to fulfil the first objective of the organisation, namely to

ensure global, high quality international accounting standards. Furthermore, in consulting widely, the Foundation will be recognising the role that the IASB and its standards play within the broader financial regulatory framework.

- 73 Within this, a few European respondents expressed the need for the Foundation to consult 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 respondents were of the view that the IASB should consult national standard-setters and that this should be made a requirement in the Constitution.
- 74 Some respondents, especially from outside Europe, urged flexible and open-ended wording and said that it would be appropriate for the Constitution to make specific reference to the IASB's close working relationship with the standard-setting bodies of the International Federation of Accountants (IFAC), namely the International Public Sector Accounting Standards Board (IPSASB), the International Auditing and Assurance Standards Board (IAASB) and the International Valuations Standards Committee (IVSC). Without appropriate liaison and possible collaboration with these bodies, the Foundation risked unnecessary divergence in the development of standards applicable to like transactions in the public and not-for-profit sectors.
- 75 The Trustees took the view that it would not be possible to list every type of organisation with which the Foundation should form a close relationship, and the Constitution needs sufficient flexibility to allow for change. They did not consider it appropriate to constrain the Constitution in this way. Therefore the Constitution should merely include general, principle-based wording that allows some flexibility to the Foundation and the IASB to collaborate with bodies when that would further their objectives without endangering their independence and other processes.
- 76 Furthermore, Trustees were of the view that it would be inappropriate to single out some organisations above others. In practice the IASB continues to consult widely in any event both those organisations and others. Furthermore, the Trustees were concerned that some organisations might change their name, merge or cease to exist, so it would be inappropriate to limit the Constitution in this manner. The ongoing consultation with all relevant standard-setters and other bodies is covered by the language 'other official bodies with an interest....' and the Trustees took the view that the current wording was sufficiently wide.

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 ~~IASB IFRS~~ Foundation. ~~One~~ Up to two of the full-time members of the ~~IASB IFRS Board~~ ~~shall~~ may also be designated by the Trustees as a Vice-Chairman, whose role shall be to chair meetings of the ~~IASB IFRS Board~~ in the absence of the Chairman 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.

- 77 For the same reasons as those identified in response to question 6 above, all respondents supported the proposed appointment of up to two Vice-Chairs to the IASB to share the Chair's obligations and functions as well as to cover in the event of the Chair 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 Chair and the Vice-Chair should be clearly spelled out in the Constitution.
- 78 Once again, some suggested replacing the gender-specific words 'Chairman' and 'Vice-Chairman' it with the gender-neutral 'Chair' and 'Vice-Chair' and that the Trustees should consider introducing in the Constitution itself requirements concerning geographical spread and language diversity.
- 79 Within this topic, many commentators urged the Trustees to consider splitting the role of the Foundation's Chief Executive and Chair of the IASB, so that the roles are not borne by one and the same person. It was noted that the Foundation and the IASB are under increasing public scrutiny from many jurisdictions and it is vitally important that there should be no appearance of conflict of interest within the organisation. Given the apparent conflict of interest between the roles of the IASB Chair and the Chief Executive of its oversight body, a number of respondents recommended separating them. If so the Chief Executive of the Foundation would not be a member of the IASB or the IASB/Interpretations Committee staff. This would have the added benefit of allowing the IASB Chair to concentrate on the technical agenda and operations of the IASB.
- 80 For the same reasons given at question 6 above, the Trustees approved the appointment of up to two Vice-Chairs to the IASB and agreed to use gender-neutral language throughout the Constitution.
- 81 The Trustees took the view that the corporate governance concerns of combining the role of the Chair and the Chief Executive in one person does not translate to the governance structure of the Foundation. The IASB is not an executive board with unfettered decision-making powers pertaining to the running of the Foundation. The IASB is a standard-setting board, with limited powers relating to the drafting and issuing of standards. The Foundation's supervisory board is the Trustees, headed by their Chair, which is separate from the management board, which is headed by the Chief Executive. As Chief Executive of the Foundation, the Chair of the IASB remains accountable to the Chair of the Trustees and the entire Trustee body, which holds the true executive power of the Foundation. Furthermore, the increasing demands on the IASB are such that its Chair plays a very limited role in the day-to-day running of the Foundation; and delegates most of these duties to the Chief Operating Officer. Accordingly, the Trustees did not consider it necessary to split the two positions.

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.

continued...

...continued

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?

- 82 The responses to this question were mixed. Many thought that the proposed changes struck the right balance between keeping the practical experience of IFRSs fresh on the IASB and the fear that IASB members might lose practical knowledge. Many also thought that it struck the right balance in achieving necessary continuity in standard-setting. However, others did not agree with the proposals and considered them 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 much longer than most might realise and as such there is great need for continuity on the IASB.
- 83 One respondent feared that reducing the maximum term for IASB members would make it increasingly difficult to attract senior people to join the Board. Furthermore, the lack of continuity on the Board would mean that it will take longer to complete the standard-setting work.
- 84 Another suggested that in order to avoid disruption to the standard-setting process the Constitution should give the Trustees flexibility, where an IASB project is nearly completed or at a critical stage, to allow IASB members who are important to the project to extend their term of service even if they had already served for eight years.
- 85 The Trustees took the view that five years was the appropriate time scale for a first-term appointment given that all full-time IASB members are asked to sever any commercial incentives or professional relationships, in order to ensure their independence. The 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.
- 86 The Trustees also took the view that it was essential to ensure that the IASB members remain current and up to date and bring practical experience and knowledge to the work of the IASB. They therefore concluded that a second term should be capped at three years, unless the individual were appointed as Chair or Vice-Chair. The Trustees did not think it appropriate to provide for any element of discretion in this area.
- 87 The provisions are to take effect for appointments made after July 2009.

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.

- 88 The comments in response to this question were almost unanimous, both from those that attended the round-table meetings and those that responded in writing. Whilst many were not in favour of the proposed 'fast track' due process procedure in the Constitution, most accepted that in cases of great urgency, it was essential to have a 'fast track' process in place provided that certain assurances are included. Consequently it was recommended that at a minimum there should always be an exposure draft for consultation and the comment periods given should not be less than 30 days. Furthermore, to prevent abuse or inconsistent application clear and specific criteria should be established as to when the expedited due process would be used.
- 89 One respondent 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.
- 90 Commentators also suggested an appropriate 'trigger' mechanism, namely pre-authorisation by the Trustees and/or the Monitoring Board and only in 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.
- 91 Many commented that anything less than 30 days' consultation would exclude all non-English speaking stakeholders, 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.
- 92 The Trustees are firmly of the view that it is the due process that gives the IASB, as a private-sector standard-setter, its legitimacy and contributes to ensuring that the standards are of high quality. They therefore stressed the importance of adequate stakeholder consultation and the need to ensure that it is not compromised.
- 93 However, the Trustees took the view that it was essential to ensure some guidance in exceptional circumstances and flexibility in the Constitution should the need ever arise. Consequently, they decided to keep the original wording recommended, but with the added protection of requiring a 75 per cent majority of the Trustees.
- 94 The Trustees will always require consultation and would only exercise this new authority for an emergency procedure in rare circumstances. Furthermore, any decision taken by a super majority of the Trustees would be taken at a public meeting

- 95 The Trustees wished to emphasise that they are well aware of translation difficulties faced by non-English speakers and these factors will always be borne in mind by the Trustees if and when they have to exercise their discretion under this section. The Trustees stressed that their goal would be to enable broad-based global consultation.

Question 12

Agenda-setting consultation

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.

The section would read as follows:

The ~~IASB~~ IFRS Board shall:

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

- 96 There was near unanimity in the replies received to this question. Almost all respondents, both at the round-table meetings and in the written responses, took the view that the proposed agenda consultation with the Advisory Council and the Trustees did not go far enough. They called for the IASB to hold formal broad-based consultation with all interested parties on a regular basis so as to ensure that it becomes more transparent and the IASB become more accountable. In addition, they called on the IASB to provide explanations and justifications for its prioritisation of the agenda.

- 97 Respondents recognised that the consultation process cannot be unduly limiting and that the IASB needs to maintain overall control over the agenda. They therefore suggested that once the IASB has received feedback on its proposed agenda, it should have discretion to determine its agenda without interference. However, the IASB should justify its decisions and prioritisation to the Trustees, the Advisory Council and other constituents, and the Trustees should specifically review the IASB's exercise of its discretion as part of their annual review.

Accountability of the IASB

- 98 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.

- 99 Many respondents, particularly those from Europe, were strongly of the view that the IASB should not be able to override overwhelming stakeholder opposition.

- 100 They therefore urged the Trustees to demonstrate enhanced oversight over 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.

- 101 If necessary, the IASB should be required to reconsider the impact assessment 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 respondents directly.
- 102 The Trustees took the view that the IASB's agenda and how it is set are one of the most critical aspects of what the IASB does. The Trustees noted respondents' concerns that the original proposals relating to consultation on the IASB's agenda did not go far enough and that most called for a more formal methodology to seek public input. Consequently, the Trustees agreed a more formalised procedure for the IASB to seek input on its agenda-setting process. The Trustees agreed to extend the section to include language beyond that already suggested—namely consultation with the Advisory Council and the Trustees. The Trustees therefore decided to include a requirement of formal public consultation on the technical agenda every three years, the first to begin no later than 30 June 2011, to ensure that the IASB's agenda remains pertinent to all its stakeholders. The ultimate authority for the agenda would remain the IASB.
- 103 Most respondents had recognised that it would not be feasible for the IASB to hold regular, annual/public consultation as this could be far too disruptive, and the Trustees agreed with this sentiment. It was for this reason that the Trustees agreed on wider stakeholder consultation every three years.
- 104 The Trustees were of the view that wider public consultation on the agenda every three years would not impinge upon the independence of the IASB, which remains of paramount importance, but it would enhance the IASB's independence and the legitimacy, respect for and viability of IFRSs globally.
- 105 The Trustees acknowledged the need for the IASB to be more responsive to stakeholders and interested parties and will bear this in mind when carrying out their oversight function in the future.

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.

- 106 Most respondents thought that given the recent restructuring of the Advisory Council it would be premature to make any proposals for change at this juncture. The Advisory Council should be given the opportunity to develop organically over the current review cycle and the Trustees should reassess it in the next review cycle. Respondents urged the Trustees to encourage the SAC to play a more active role in the standard-setting process.
- 107 Many noted the positive developments initiated by both the Foundation and the Chair of the newly formed Advisory Council and welcomed them. Of particular note was the introduction of dedicated resources provided to the Advisory Council and the engagement of the Advisory Council members out of session to provide input on important consultations. Respondents thought these changes would contribute to the efficiency and effectiveness of the Advisory Council.
- 108 However, some thought that the Advisory Council is too large to be effective and that 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. The Trustees were urged to keep a watching brief on the effectiveness of the Advisory Council.

- 109 The Trustees agreed that it was premature to make any substantive changes to this section. However, they noted the concerns that the Advisory Council could be more efficient and therefore agreed to undertake a full review of its effectiveness, including its size and membership. The review will be undertaken immediately with a view to completing it by year-end. The review will, *inter alia*, assess the recent reforms to the Advisory Council's structure and operations, and determine whether further reforms are necessary.

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.

- 110 Most respondents did not regard this as a contentious matter and there was wide support for it.
- 111 Some recommended that the historical background of the organisation should be included on its website.
- 112 The Trustees agreed to amend the section to allow for greater flexibility in appointing senior staff without being limited by the express terms of the Constitution. This accords with the Trustees' requirement to arrange their affairs in such a manner as is consistent with effective management and running of the organisation.

APPENDIX I

PROCESS FOR THE CONSTITUTION REVIEW

Organising the Constitution Review in a transparent and open way

- 1 Though emphasising early on the priority of public accountability, the Trustees conducted a thorough and transparent review of the Constitution that enabled interested parties to raise any issues they wished the Trustees to consider and provided opportunities to comment on proposals. This appendix describes how the Trustees conducted the review.
- 2 The Trustees established a Constitution Committee, which comprised the following Trustees:

Gerrit Zalm Chairman of the Trustees
Philip Laskawy Vice Chairman of the Trustees
Bertrand Collomb
Samuel DiPiazza
Aki Fujinuma
Pedro Malan
Antonio Vegezzi
- 3 The Trustees as a whole reached conclusions on the review and the Constitution Committee helped manage the process. The Trustees established the following procedures to help ensure an efficient and transparent process:
 - The Constitution Committee made non-binding recommendations to the Trustees, and the Trustees as a whole made final decisions regarding any changes in the Constitution.
 - Any discussions related to the Constitution during the full Trustees' meetings were held during the public sessions of Trustees' meetings.
 - The Constitution Committee engaged in intensive public consultations before making recommendations to the full Trustees. The consultations included:
 - discussions with interested parties.
 - a series of round-table public meetings held in London on 9 September 2009, in New York on 6 October 2009 and in Tokyo on 21 October 2009.
 - the publication of papers to assist those that attended the public discussions of the Trustees or the Committee to aid in following the deliberations.
 - the publication of all proposals with a period for public comment before the Trustees reached a conclusion.
- 4 In launching the Constitution review, the Trustees sought to balance their immediate priority—addressing issues related to public accountability—and the need to have a thorough and inclusive process on other elements of the Constitution. Therefore, the Trustees advanced the review in two parts.

CHANGES IN THE IASC FOUNDATION'S CONSTITUTION 2010

- 5 First, the Trustees made proposals aimed at the organisation's public accountability and issues of size and geographical diversity of the standard-setting body, the IASB. This review was concluded at the Trustees' meeting in January 2009 and a report was published at the conclusion of that part of the review. The report, *Changes in the Constitution—Report of the IASC Foundation Trustees on Part 1 of their Review*, was published in April 2009. The constitutional amendments following the first part of the Constitution review were promulgated on 1 February 2009.
- 6 The second part of the Constitution review began in October 2008 and a consultation document, *Part 2 of the Constitution Review—Identifying issues for review of the Constitution—Proposals for Enhanced Public Accountability*, was published in September 2009. The closing date for comments was 30 November 2009. As noted above, during the 90-day consultation period, the Trustees held round tables in three continents.
- 7 The Trustees considered the comments received from both the round-table meetings and the consultation document at their meeting in Rio de Janeiro on 26 and 27 January 2010. They approved the changes explained in this document. The changes will come into effect on 1 March 2010. The name change will be registered in the State of Delaware and with Companies House in England. It is expected that this will take a little longer to come into effect and transitional wording has therefore been added to the Constitution.

APPENDIX II**ORGANISATIONS AND INDIVIDUALS THAT PARTICIPATED IN
THE FINAL COMMENT LETTER PROCESS OF THE CONSTITUTION REVIEW**

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

CHANGES IN THE IASC FOUNDATION'S CONSTITUTION 2010

<i>...continued</i>			
Name	Country or region	Date received	Industry
The Group of 100	Australia	26/11/2009	Preparers
The Japanese Institute of Certified Public Accountants (JICPA)	Japan	27/11/2009	Professional body of accountants
CESR – Committee of the European Securities Regulators	Europe	27/11/2009	Government bodies and Regulators
The Institute of Chartered Accountants of Scotland	Europe	27/11/2009	Professional body of accountants
F. Hoffmann-La Roche AG	Europe	27/11/2009	Preparers
The South African Institute of Chartered Accountants	South Africa	27/11/2009	Professional body of accountants
KPMG International	International	27/11/2009	Accounting Firms
PricewaterhouseCoopers	International	30/11/2009	Accounting Firms
The Securities Analysts Association of Japan	Japan	30/11/2009	Users
The Life Insurance Association of Japan (LIAJ)	Japan	30/11/2009	Preparer
Joint Accounting Bodies (CPA Australia, the Institute of Chartered Accountants in Australia and the National Institute of Accountants)	Australia	30/11/2009	Professional body of accountants
Grant Thornton	International	30/11/2009	Accounting Firms
Accounting Standards Committee of Germany	Germany, Europe	30/11/2009	Standard-setter
Nippon Keidanren	Japan	30/11/2009	Preparers
Hermes Fund Managers Limited	England, Europe	30/11/2009	Users
Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)	Germany, Europe	30/11/2009	Professional body of accountants
The Quoted Companies Alliance (QCA)	United Kingdom, Europe	30/11/2009	Preparers
SwissHoldings Federation of Industrial and Service Groups in Switzerland	Switzerland, Europe	30/11/2009	Preparers
Investment Management Association (IMA)	United Kingdom, Europe	30/11/2009	Users
			<i>continued...</i>

<i>...continued</i>			
Name	Country or region	Date received	Industry
Financial Reporting Council (FRC)	United Kingdom, Europe	30/11/2009	Government bodies and Regulators
BUSINESS EUROPE	Brussels, Europe	30/11/2009	Preparers
The Association for Financial Markets in Europe (AFME)	United Kingdom, Europe	30/11/2009	Users
Association of British Insurers (ABI)	United Kingdom, Europe	30/11/2009	Preparers
UBS	International	30/11/2009	Preparer
International Banking Federation (IBFED)	United Kingdom, Europe	30/11/2009	Preparers
International Actuarial Association	Canada	02/12/2009	Others
Mazars	International	02/12/2009	Accounting firms
Committee of European Banking Supervisors	Europe	02/12/2009	Government bodies and Regulators
Council of Institutional Investors	Europe	02/12/2009	Users
Denise Silva Ferreira Juvenal (to remain confidential)	South America	02/12/2009	Academic or Individual
Institute of Chartered Accountants for England and Wales	England and Wales, Europe	02/12/2009	Professional body of accountants
Nick Rowbottom, Joanne Locke & Anne Ullathorne Dept of Accounting & Finance University of Birmingham	United Kingdom, Europe	02/12/2009	Academic or Individual
International Swaps and Derivatives Association ("ISDA")	International	02/12/2009	Users
The Swedish Financial Reporting Board	Sweden	02/12/2009	Standard-setter
FEI Canada Committee on Corporate Reporting	Canada	02/12/2009	Preparers
ACTEO, AFEP & MEDEF	France, Europe		Preparers
Stella Fearnley Professor in Accounting The Business School Bournemouth University	United Kingdom, Europe	02/12/2009	Academic or Individual
CFA Centre For Financial Market Integrity, EMEA	United Kingdom, Europe	03/12/2009	Users
			<i>continued...</i>

CHANGES IN THE IASC FOUNDATION'S CONSTITUTION 2010

<i>...continued</i>			
Name	Country or region	Date received	Industry
Basel Committee	International	03/12/2009	Government bodies and Regulators
BDO	International	04/12/2009	Accounting Firms
EFRAG	European	04/12/2009	Government bodies and Regulators
Hong Kong Institute of Certified Public Accountants	Hong Kong	07/12/09	Professional body of accountants
Nicolas Véron	Europe	07/12/09	Academic or Individual
Association of Accounting Technicians	UK, Europe	07/12/09	Professional body of accountants
Ministry of Finance China and China Accounting Standards Committee	China	09/12/09	Standard-setter
International Corporate Governance Network Committee	United Kingdom, Europe	11/12/09	Users
Ministry of Finance	British Columbia	14/12/09	Government bodies and Regulators
Confederation of British Industry	United Kingdom, Europe	16/12/09	Preparers
International Organisation of Securities Commissions (IOSCO)	International	18/12/09	Government bodies and Regulators
Corporate Users Forum (CRUF)	United Kingdom, Europe	14/12/09	Users

APPENDIX II

LIST OF PARTICIPANTS AT THE ROUND-TABLE MEETINGS

LONDON CONSTITUTION REVIEW ROUND-TABLE MEETINGS

The round-table meeting was held at the IASB offices in London on 9 September 2009.

Participants

Session 1 10.00–11.30

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 2 11.45–13.15

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 3 14.45–15.45

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 CONSTITUTION REVIEW ROUND-TABLE 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 10.30–12.45

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 13.00–14.45

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 CONSTITUTION REVIEW ROUND-TABLE 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 13.30–15.00

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

Session 2 15.30–17.00

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

APPENDIX IV

COMMENT LETTERS ANALYSED BY GEOGRAPHICAL AND INDUSTRY SEGMENTS

The numbers within the chart refer to the numbers assigned to the organisations listed in Appendix II.

	Asia excluding Japan	Japan	Australia/ New Zealand	Europe	North America	South America and Africa	International	TOTAL
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
TOTAL	4	4	5	33	5	3	14	69

APPENDIX V

International Accounting Standards Committee Foundation

REVISED CONSTITUTION effective 1 March 2010

IASC Foundation Constitution

(approved by the Members of IASC at a meeting in Edinburgh, Scotland on 24 May 2000 and revised by the IASC Foundation Trustees on 5 March and 8 July 2002, 21 June 2005, 31 October 2007, 15 January 2009 and 26 January 2010)

Name and objectives

- 1 The name of the organisation shall be the International Financial Reporting Standards Foundation (IFRS Foundation), a name which shall be put into legal effect as soon as practical and then shall replace the name the International Accounting Standards Committee Foundation (IASC Foundation). The International Accounting Standards Board (IASB), whose structure and functions are laid out in sections 24–38, shall be the standard-setting body of the IFRS Foundation.
- 2 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 based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information 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, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings.
 - (d) to promote and facilitate adoption of International Financial Reporting Standards (IFRSs), being the standards and interpretations issued by the IASB, through the convergence of national accounting standards and IFRSs.

Governance of the IFRS Foundation

- 3 The governance of the IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. A Monitoring Board (described further in sections 18–23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of the Trustees.

Trustees

- 4 The Trustees shall comprise twenty-two individuals.
- 5 The Monitoring Board (described further in sections 18–23) shall be responsible for the approval of all Trustee appointments and reappointments. In approving such selection, the Monitoring Board shall be bound by the criteria set out in sections 6 and 7. The Trustees and the Monitoring Board shall agree a nomination process that will entitle the Monitoring Board to recommend candidates and provide other help. In administering the nomination process and putting forward nominations to the Monitoring Board for approval, the Trustees shall consult the international organisations set out in section 7.
- 6 All Trustees shall be required to show a firm commitment to the IFRS Foundation and the IASB as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global accounting standards developed for use in the world's capital markets and by other users. The mix of Trustees shall broadly reflect the world's capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:
- (a) six Trustees appointed from the Asia/Oceania region;
 - (b) six Trustees appointed from Europe;
 - (c) six Trustees appointed from North America;
 - (d) one Trustee appointed from Africa;
 - (e) one Trustee appointed from South America; and
 - (f) two Trustees appointed from any area, subject to maintaining overall geographical balance.
- 7 The Trustees shall comprise individuals that, as a group, provide an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and officials serving the public interest. Normally, two of the Trustees shall be senior partners of prominent international accounting firms. To achieve such a balance, Trustees should be selected after consultation with national and international organisations of auditors (including the International Federation of Accountants), preparers, users and academics. The Trustees shall establish procedures for inviting suggestions for appointments from these relevant organisations and for allowing individuals to put forward their own names, including advertising vacant positions.
- 8 Trustees shall normally be appointed for a term of three years, renewable once.
- 9 Subject to the voting requirements in section 14, the Trustees may terminate the appointment of an individual as a Trustee on grounds of poor performance, misbehaviour or incapacity.
- 10 The Chair of the Trustees, and up to two Vice-Chairs, shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. The role of a Vice-Chair shall be to chair meetings of the Trustees in the absence of the Chair or to represent the Chair in external contacts. With the agreement of the Trustees, and regardless of prior

service as a Trustee, the appointee may serve as the Chair or a Vice-Chair for a term of three years, renewable once, from the date of appointment as Chair or Vice-Chair, but may not exceed nine years in total length of service as a Trustee. The appointment of a Chair and Vice-Chairs should be made with regard to maintaining a geographical balance.

- 11 The Trustees shall meet at least twice each year and shall be remunerated by the IFRS Foundation with an annual fee and a per-meeting fee, commensurate with the responsibilities assumed, such fees to be determined by the Trustees. Expenses of travel on IFRS Foundation business shall be met by the IFRS Foundation.
- 12 In addition to the powers and duties set out in section 13, the Trustees may make such operational commitments and other arrangements as they deem necessary to achieve the organisation's objectives, including, but without limitation, leasing premises and agreeing contracts of employment with IASB members.
- 13 The Trustees shall:
- (a) assume responsibility for establishing and maintaining appropriate financing arrangements;
 - (b) establish or amend operating procedures for the Trustees;
 - (c) determine the legal entity under which the IFRS Foundation shall operate, provided always that such legal entity shall be a foundation or other body corporate conferring limited liability on its members and that the legal documents establishing such legal entity shall incorporate provisions to achieve the same requirements as the provisions contained in this Constitution;
 - (d) review in due course the location of the IFRS Foundation, both as regards its legal base and its operating location;
 - (e) investigate the possibility of seeking charitable or similar status for the IFRS Foundation in those countries where such status would assist fundraising;
 - (f) open their meetings to the public but may, at their discretion, hold certain discussions (normally only about selection, appointment and other personnel issues, and funding) in private; and
 - (g) publish an annual report on the IFRS Foundation's activities, including audited financial statements and priorities for the coming year.
- 14 There shall be a quorum for meetings of the Trustees if 60 per cent of the Trustees are present in person or by telecommunications: Trustees shall not be represented by alternates. Each Trustee shall have one vote, and a simple majority of those voting shall be required to take decisions on matters other than termination of the appointment of a Trustee, amendments to the Constitution, or minor variations made in the interest of feasibility of operations, in which cases a 75 per cent majority of all Trustees shall be required. Voting by proxy shall not be permitted on any issue. In the event of a tied vote, the Chair shall have an additional casting vote.
- 15 In addition to the duties set out above, the Trustees shall:
- (a) appoint the members of the IASB and establish their contracts of service and performance criteria;
 - (b) appoint the members of the IFRS Interpretations Committee (the Interpretations Committee) and the IFRS Advisory Council (the Advisory Council);

- (c) review annually the strategy of the IFRS Foundation and the IASB and its effectiveness, including consideration, but not determination, of the IASB's agenda;
 - (d) approve annually the budget of the IFRS Foundation and determine the basis for funding;
 - (e) review broad strategic issues affecting financial reporting standards, promote the IFRS Foundation and its work and promote the objective of rigorous application of IFRSs, provided that the Trustees shall be excluded from involvement in technical matters relating to financial reporting standards;
 - (f) establish and amend operating procedures, consultative arrangements and due process for the IASB, the Interpretations Committee and the Advisory Council;
 - (g) review compliance with the operating procedures, consultative arrangements and due process as described in (f);
 - (h) approve amendments to this Constitution after following a due process, including consultation with the Advisory Council and publication of an exposure draft for public comment and subject to the voting requirements given in section 14;
 - (i) exercise all powers of the IFRS Foundation except for those expressly reserved to the IASB, the Interpretations Committee and the Advisory Council; and
 - (j) foster and review the development of educational programmes and materials that are consistent with the IFRS Foundation's objectives.
- 16 The Trustees may terminate the appointment of a member of the IASB, the Interpretations Committee or the Advisory Council, on grounds of poor performance, misbehaviour, incapacity or other failure to comply with contractual requirements, and the Trustees shall develop procedures for such termination.
- 17 The accountability of the Trustees shall be ensured *inter alia* through:
- (a) a commitment made by each Trustee to act in the public interest;
 - (b) their commitment to report to and engage with the Monitoring Board according to the terms described in sections 18–23;
 - (c) their undertaking a review of the entire structure of the IFRS Foundation and its effectiveness, such review to include consideration of changing the geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment, the review beginning three years after the coming into force of this Constitution, with the objective of implementing any agreed changes five years after the coming into force of this Constitution; and
 - (d) their undertaking a similar review subsequently every five years.

The Monitoring Board

- 18 A Monitoring Board will provide a formal link between the Trustees and public authorities. This relationship seeks to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters. A Memorandum of Understanding will be agreed between the Monitoring Board and the Trustees describing the interaction of the Monitoring Board with the Trustees. This Memorandum of Understanding will be made available to the public.

- 19 The responsibilities of the Monitoring Board shall be:
- (a) to participate in the process for appointing Trustees and to approve the appointment of Trustees according to the guidelines in sections 5–8.
 - (b) to review and provide advice to the Trustees on their fulfilment of the responsibilities set out in sections 13 and 15. The Trustees shall make an annual written report to the Monitoring Board.
 - (c) to meet the Trustees or a subgroup of the Trustees at least once annually, and more frequently as appropriate. The Monitoring Board shall have the authority to request meetings with the Trustees or separately with the Chair of the Trustees (with the Chair of the IASB as appropriate) about any area of work of either the Trustees or the IASB. These meetings may include discussion of issues that the Monitoring Board has referred for timely consideration by the IFRS Foundation or the IASB, and of any proposed resolution of those issues by the IFRS Foundation or IASB.
- 20 The Monitoring Board shall develop a charter that sets out its organisational, operating and decision-making procedures. The charter shall be made public.
- 21 Initially, the Monitoring Board shall comprise:
- (a) the responsible member of the European Commission;
 - (b) the chair of the IOSCO Emerging Markets Committee;
 - (c) the chair of the IOSCO Technical Committee (or vice-chair or designated securities commission chair in cases where either the chair of an EU securities regulator, commissioner of the Japan Financial Services Agency or chair of the US Securities and Exchange Commission is the chair of the IOSCO Technical Committee);
 - (d) the commissioner of the Japan Financial Services Agency;
 - (e) the chair of the US Securities and Exchange Commission; and
 - (f) as an observer, the chair of the Basel Committee on Banking Supervision.
- 22 The Monitoring Board shall reconsider its composition from time to time relative to its objectives.
- 23 The Monitoring Board shall reach decisions to approve the appointment of Trustees and establish any common positions by consensus.

IASB

- 24 The IASB shall comprise fourteen members, increasing to sixteen members at a date no later than 1 July 2012. The members of the IASB are appointed by the Trustees under section 15(a). Up to three members may be part-time members (the expression 'part-time' meaning that the members concerned commit most of their time in paid employment to the IFRS Foundation) and shall meet appropriate guidelines of independence established by the Trustees. The remaining members shall be full-time members (the expression 'full-time' meaning that the members concerned commit all of their time in paid employment to the IFRS Foundation). The work of the IASB shall not be invalidated by its failure at any time to have a full complement of members, although the Trustees shall use their best endeavours to achieve a full complement.

- 25 The main qualifications for membership of the IASB shall be professional competence and practical experience. The Trustees shall select members of the IASB, consistently with the Criteria for IASB members set out in the Annex to the Constitution, so that it will comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in order to contribute to the development of high quality, global financial reporting standards. The members of the IASB shall be required to commit themselves formally to acting in the public interest in all matters. No individual shall be both a Trustee and an IASB member at the same time.
- 26 In a manner consistent with the criteria for IASB members as set out in the Annex to the Constitution and in order to ensure a broad international basis, there shall normally be, by 1 July 2012:
- (a) four members from the Asia/Oceania region;
 - (b) four members from Europe;
 - (c) four members from North America;
 - (d) one member from Africa;
 - (e) one member from South America; and
 - (f) two members appointed from any area, subject to maintaining overall geographical balance.
- The work of the IASB shall not be invalidated by its failure at any time to have a full complement of members according to the above geographical allocation, although the Trustees shall use their best endeavours to achieve the geographical allocation.
- 27 The Trustees shall select IASB members so that the IASB as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics.
- 28 The IASB will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters, other standard-setters, and other official bodies with an interest in accounting standard-setting in order to assist in the development of IFRSs and to promote the convergence of national accounting standards and IFRSs.
- 29 Each full-time and part-time member of the IASB shall agree contractually to act in the public interest and to have regard to the IASB's *Framework* (as amended from time to time) in deciding on and revising standards.
- 30 The Trustees shall appoint one of the full-time members as the Chair of the IASB, who shall also be the Chief Executive of the IFRS Foundation. Up to two of the full-time members of the IASB may also be designated by the Trustees as a Vice-Chair, whose role shall be to chair meetings of the IASB in the absence of the Chair or to represent the Chair in external contacts. The appointment of the Chair and the designation as Vice-Chair shall be for such term as the Trustees decide. The title of Vice-Chair would not imply that the member (or members) concerned is (or are) the Chair-elect. The appointment of a Chair and Vice-Chairs should be made with regard to maintaining a geographical balance.
- 31 Members of the IASB appointed before 2 July 2009 shall be appointed for a term of five years, renewable once for a further term of five years. Members of the IASB appointed after 2 July 2009 shall be appointed initially for a term of five years. Terms are renewable once for a further term of three years, with the exception of the Chair and a Vice-Chair. The Chair and a Vice-Chair may serve a second term of five years, but may not exceed ten years in total length of service as a member of the IASB.

- 32 The Trustees shall develop rules and procedures to ensure that the IASB is, and is seen to be, independent, and, in particular, on appointment, full-time members of the IASB shall sever all employment relationships with current employers and shall not hold any position giving rise to economic incentives that might call into question their independence of judgement in setting financial reporting standards. Secondments and any rights to return to an employer would therefore not be permitted. Part-time members of the IASB would not be expected to sever all other employment arrangements.
- 33 Full-time and part-time members of the IASB shall be remunerated at rates commensurate with the respective responsibilities assumed: such rates shall be determined by the Trustees. Expenses of travel on IASB business shall be met by the IFRS Foundation.
- 34 The IASB shall meet at such times and locations as it determines: meetings of the IASB shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the discretion of the IASB.
- 35 Each member of the IASB shall have one vote. On both technical and other matters, proxy voting shall not be permitted nor shall members of the IASB be entitled to appoint alternates to attend meetings. In the event of a tied vote, on a decision that is to be made by a simple majority of the members of the IASB present at a meeting in person or by telecommunications, the Chair shall have an additional casting vote.
- 36 The publication of an exposure draft or an ~~International Financial Reporting Standard~~ IFRS (including an International Accounting Standard or an Interpretation of the Interpretations Committee) shall require approval by nine members of the IASB, if there are fewer than sixteen members or by ten members if there are sixteen members. Other decisions of the IASB, including the publication of a discussion paper, shall require a simple majority of the members of the IASB present at a meeting that is attended by at least 60 per cent of the members of the IASB, in person or by telecommunications.
- 37 The IASB shall:
- (a) have complete responsibility for all IASB technical matters including the preparation and issuing of IFRSs (other than Interpretations) and exposure drafts, each of which shall include any dissenting opinions, and the approval and issuing of Interpretations developed by the Interpretations Committee.
 - (b) publish an exposure draft on all projects and normally publish a discussion document for public comment on major projects in accordance with procedures approved by the Trustees.
 - (c) in exceptional circumstances, and only after formally requesting and receiving prior approval from 75 per cent of the Trustees, reduce, but not dispense with, the period for public comment on an exposure draft below that described as the minimum in the Due Process Handbook.
 - (d) have full discretion in developing and pursuing its technical agenda, subject to the following:
 - (i) consulting the Trustees (consistently with section 15(c)) and the Advisory Council (consistently with section 44(a)); and
 - (ii) carrying out a public consultation every three years, the first of which shall begin no later than 30 June 2011.

- (e) have full discretion over project assignments on technical matters: in organising the conduct of its work, the IASB may outsource detailed research or other work to national standard-setters or other organisations.
- (f) establish procedures for reviewing comments made within a reasonable period on documents published for comment.
- (g) normally form working groups or other types of specialist advisory groups to give advice on major projects.
- (h) consult the Advisory Council on major projects, agenda decisions and work priorities.
- (i) normally publish a basis for conclusions with an IFRS or an exposure draft.
- (j) consider holding public hearings to discuss proposed standards, although there is no requirement to hold public hearings for every project.
- (k) consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project.
- (l) give reasons if it does not follow any of the non-mandatory procedures set out in (b), (g), (i), (j) and (k).

38 The authoritative text of any exposure draft, draft Interpretation or IFRS shall be that published by the IASB in the English language. The IASB may publish authorised translations or give authority to others to publish translations of the authoritative text of exposure drafts, draft Interpretations and IFRSs.

IFRS Interpretations Committee (the Interpretations Committee)

39 The IFRS Interpretations Committee, formerly called the International Financial Reporting Interpretations Committee, shall comprise fourteen voting members, appointed by the Trustees under section 15(b) for renewable terms of three years. The Trustees shall select members of the Interpretations Committee so that it comprises a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in the practical application of IFRSs and analysis of financial statements prepared in accordance with IFRSs. Expenses of travel on Interpretations Committee business shall be met by the IFRS Foundation.

40 The Trustees shall appoint a member of the IASB, the Director of Technical Activities or another senior member of the IASB staff, or another appropriately qualified individual, to chair the Interpretations Committee. The Chair has the right to speak to the technical issues being considered but not to vote. The Trustees, as they deem necessary, shall appoint as non-voting observers representatives of regulatory organisations, who shall have the right to attend and speak at meetings.

41 The Interpretations Committee shall meet as and when required and ten voting members present in person or by telecommunications shall constitute a quorum: one or two IASB members shall be designated by the IASB and shall attend meetings as non-voting observers; other members of the IASB may attend and speak at the meetings. On exceptional occasions, members of the Interpretations Committee may be allowed to send non-voting alternates, at the discretion of the Chair of the Interpretations Committee. Members wishing to nominate an

alternate should seek the consent of the Chair in advance of the meeting concerned. Meetings of the Interpretations Committee shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the Interpretations Committee's discretion.

- 42 Each member of the Interpretations Committee shall have one vote. Members vote in accordance with their own independent views, not as representatives voting according to the views of any firm, organisation or constituency with which they may be associated. Proxy voting shall not be permitted. Approval of draft or final Interpretations shall require that not more than four voting members vote against the draft or final Interpretation.
- 43 The Interpretations Committee shall:
- (a) interpret the application of IFRSs and provide timely guidance on financial reporting issues not specifically addressed in IFRSs, in the context of the IASB's *Framework*, and undertake other tasks at the request of the IASB;
 - (b) in carrying out its work under (a) above, have regard to the IASB's objective of working actively with national standard-setters to bring about convergence of national accounting standards and IFRSs to high quality solutions;
 - (c) publish after clearance by the IASB draft Interpretations for public comment and consider comments made within a reasonable period before finalising an Interpretation; and
 - (d) report to the IASB and obtain the approval of nine of its members for final Interpretations if there are fewer than sixteen members, or by ten of its members if there are sixteen members.

IFRS Advisory Council (the Advisory Council)

- 44 The Advisory Council, formerly called the Standards Advisory Council, whose members shall be appointed by the Trustees under section 15(b), provides a forum for participation by organisations and individuals, with an interest in international financial reporting, having diverse geographical and functional backgrounds, with the objective of:
- (a) giving advice to the IASB on agenda decisions and priorities in the IASB's work,
 - (b) informing the IASB of the views of the organisations and individuals on the Advisory Council on major standard-setting projects and
 - (c) giving other advice to the IASB or the Trustees.
- 45 The Advisory Council shall comprise thirty or more members, having a diversity of geographical and professional backgrounds, appointed for renewable terms of three years. The Chair of the Advisory Council shall be appointed by the Trustees, and shall not be a member of the IASB or a member of its staff. The Trustees shall invite the Chair of the Advisory Council to attend and participate in the Trustees' meetings, as appropriate.
- 46 The Advisory Council shall normally meet at least three times a year. Meetings shall be open to the public. The Advisory Council shall be consulted by the IASB in advance of IASB decisions on major projects and by the Trustees in advance of any proposed changes to this Constitution.

Chief Executive and staff

- 47 As provided under section 30, the Chair of the IASB shall also be the Chief Executive of the IFRS Foundation, and shall be subject to supervision by the Trustees.
- 48 The Chief Executive shall be responsible for establishing the senior staff management team of the IFRS Foundation, in consultation with the Trustees.

Administration

- 49 The administrative office of the IFRS Foundation shall be located in such location as may be determined by the Trustees in accordance with section 13(d).
- 50 The IFRS Foundation shall be a legal entity as determined by the Trustees and shall be governed by this Constitution and by any laws that apply to such legal entity, including, if appropriate, laws applicable because of the location of its registered office.
- 51 The IFRS Foundation shall be bound by the signature(s) of such person or persons as may be duly authorised by the Trustees.

ANNEX

International Accounting Standards Committee Foundation

Criteria for IASB Members

The following would represent criteria for IASB membership:

- 1 **Demonstrated technical competence and knowledge of financial accounting and reporting.** All members of the IASB, regardless of whether they are from the accounting profession, preparers, users or academics, should have demonstrated a high level of knowledge and technical competence in financial accounting and reporting. The credibility of the IASB and its individual members and the effectiveness and efficiency of the organisation will be enhanced with members who have such knowledge and skills.
- 2 **Ability to analyse.** IASB members should have demonstrated the ability to analyse issues and consider the implications of that analysis for the decision-making process.
- 3 **Communication skills.** Effective oral and written communication skills are necessary. These skills include the ability to communicate effectively in private meetings with IASB members, in public meetings, and in written materials such as financial reporting standards, speeches, articles, memos and external correspondence. Communication skills also include the ability to listen to and consider the views of others. While a working knowledge of English is necessary, there should not be discrimination in selection against those for whom English is not their first language.
- 4 **Judicious decision-making.** IASB members should be capable of considering varied viewpoints, weighing the evidence presented in an impartial fashion, and reaching well-reasoned and supportable decisions in a timely fashion.
- 5 **Awareness of the financial reporting environment.** High quality financial reporting will be affected by the financial, business and economic environment. IASB members should have an understanding of the global economic environment in which the IASB operates. This global awareness should include awareness of business and financial reporting issues that are relevant to, and affect the quality of, transparent financial reporting and disclosure in the various capital markets worldwide, including those using IFRSs.
- 6 **Ability to work in a collegial atmosphere.** Members should be able to show respect, tact and consideration for one another's views and those of third parties. Members must be able to work with one another in reaching consensus views based on the IASB's objective of developing high quality and transparent financial reporting. Members must be able to put the objective of the IASB above individual philosophies and interests.
- 7 **Integrity, objectivity and discipline.** The credibility of members should be demonstrated through their integrity and objectivity. This includes intellectual integrity as well as integrity in dealing with fellow IASB members and others. Members should demonstrate an ability to be objective in reaching decisions. Members also should demonstrate an ability to show rigorous discipline and carry a demanding workload.
- 8 **Commitment to the IFRS Foundation's mission and public interest.** Members should be committed to achieving the objective of the IFRS Foundation of establishing international financial reporting standards that are of high quality, comparable, and transparent. A candidate for the IASB should also be committed to serving the public interest through a private standard-setting process.