

Rådet för **finansiell rapportering**

The Swedish Financial Reporting Board

RFR-rs 2009:25

IASC Foundation
To the Trustees
FAO Tamara Oyre
Assistant Corporate Secretary
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

Part 2 of the Constitution Review Proposals for Enhanced Public Accountability

We appreciate the opportunity to respond to the IASCF's paper on Part 2 of the Constitution Review: Proposals for Enhanced Public Accountability. This letter represents the view of the Swedish Financial Reporting Board.

We observe that only few changes are proposed in the Constitution. We understand and support the Trustees' concern that the IASB remains fully independent in its standard-setting initiatives. Nonetheless, we suggest that the Constitution should be amended to enhance the public accountability and transparency even further for the whole organisation, including both the IASCF and the IASB.

We agree with the emphasis added in the Objectives of the Foundation that the financial reporting standards need to be globally accepted. We also agree with the other proposed changes of section 2. But we have other concerns about section 2 of the Constitution not discussed in the Proposals for Enhanced Public Accountability. We agree that bringing about convergence of national accounting standards and IFRSs to high quality solutions is something good and there should not in theory be a contradiction between those objectives. But, according to our view, convergence with US GAAP has been given too high priority by the IASB and we consider that this has been detrimental to the development of high quality standards.

We are concerned about the interpretation of the objectives listed in section 2 of the Constitution. IASB independently sets the agenda and adopts IFRSs. Since the Trustees according to section 15 of the Constitution may not review the determination of the agenda of the IASB and are excluded from involvement in technical matters relating to financial reporting standards this means that the IASB, not the Trustees, in reality will have the final word regarding which objective in section 2 that should be given priority. The Trustees can only - according to our understanding - review that the IASB does not take actions that are outside the scope of section 2, but may not review the priorities by the IASB. This illustrates a fundamental weakness in the division of



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power between the Trustees and the IASB. We believe that the Trustees should take a more active part in the review of the priorities of the IASB. The Trustees should safeguard what we consider is the main objective of the Constitution – developing high quality standards.

No specific amendments are suggested to sections 13 and 15 of the Constitution regarding the Trustee oversight. We accept the analysis presented by the Trustees, i.e. that the improvements needed do not require additional regulation in the Constitution. Instead, existing duties should be carried out more extensively by the Trustees. We would expect that along with the Constitution Review the Trustees publish an action plan for "enhanced accountability, consultation, reporting and ongoing internal due process improvements".

The text in section 13 with respect to financing is very brief. We recommend that it be expanded to say that financing arrangements should be stable and long-term, something which obviously is important for an independent standard setting.

It is proposed that the Constitution should be amended so that it is expressly stated that the IASB must consult the Trustees and the SAC when developing its technical agenda. This proposal is a step in the right direction, but we believe that consultations about the agenda should go even further. Constituents have a legitimate interest in the agenda-setting process. Therefore, we consider that there should be a due process on the agenda-setting and that the IASB should consult with constituents on an annual basis regarding the agenda. We believe that it is important that the IASB is aware of the constituents' views about the agenda, e.g. the importance of convergence with US GAAP.

We also consider that the IASB should consult with the Trustees regarding the needs for re-exposure of DPs/EDs. This duty should be reflected in the Constitution.

We are of the opinion that in exceptional circumstances the public comment period may be reduced below the period in the Due Process Handbook. However, it is extremely important that this possibility is not used to implement, in a fast manner, major principal changes.

No amendments are proposed to provisions in the Constitution relating to the SAC, at this time. We do understand the reasons why no change should be made to the provisions relating to the SAC. But we suggest that a new part is added to section 37, (renumbered as section 38), requiring the IASB to report in public the conclusions taken by the IASB after consulting the SAC on major projects, agenda decisions and work priorities, including an explanation why or why not the IASB has chosen to follow the recommendations from the SAC. This would significantly enhance transparency.

Lastly, we are disappointed that no proposal to include a basis for standard-setting is suggested in the review of the Constitution, stating that "a principle-based approach" should be used. We believe that this question is too important to be left to the Due Process Handbook. There is a clear distinction between leaving room for professional judgement and providing a large amount of detailed guidance, and this has a bearing on many fundamental issues.



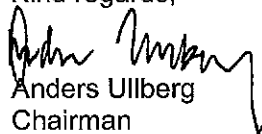
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The composition of the Monitoring Board should be reviewed already at this stage. Even if the representative of the European Commission would take up its seat there will still be a minority of members from countries that apply IFRS. Also, the fact that several of the members have a relationship with the rule based US GAAP makes it even more important that the Constitution expresses a commitment to principle-based standards.

If you have any questions concerning our comments please address our Executive member Carl-Eric Bohlin by e-mail to: carl-eric.bohlin@radetforfinansiellrapportering.se

Stockholm, December 2, 2009

Kind regards,


Anders Ullberg
Chairman