



19th September 2008

Mr Gerrit Zalm
Chairman
IASC Foundation
1st Floor
30 Cannon Street
London EC4M 6XH
United Kingdom

cc: Tamara Oyre
e-mail: constitutionreview@iasb.org

Dear Mr Zalm,

**Re: Review of the Constitution: Public Accountability and the Composition of the IASB
- Proposals for Change**

The CNCC (Compagnie Nationale des Commissaires aux Comptes, the French Body of statutory auditors) and the CSOEC (Conseil Supérieur de l'Ordre des Experts-comptables, the French Institute of chartered accountants) are pleased to have the opportunity to present their views to the IASC Foundation review of the constitution: "Public Accountability and the Composition of the IASB – Proposals for Change". We would like to express our views on the Monitoring Group and the IASB's composition and we will also make some additional comments. You will find below our responses to the questions raised.

Questions related to the Monitoring Group

Q1 - Do you support the creation of a link to a Monitoring Group in order to create a direct link of public accountability to official institutions ?

We agree with the need to enhance the public accountability of the IASC Foundation if the IASB is to become the world's accounting standard-setter. As it has been reproached the Trustees for self-appointment, we welcome the creation of an independent body, the Monitoring Group (MG), that will be a direct link of public accountability to official institutions and that will be in charge of appointing the Trustees. However, we think that the charter and working procedures of the MG should be submitted for public consultation in the second part of the Constitution review.

French language version of the document will be available soon.

Q2 - The proposals contemplate a Monitoring Group comprising representatives of even public authorities and international organisations with a link to public authorities. While recognising that the Monitoring Group is an autonomous body, the Trustees would welcome comments regarding the Monitoring Group's membership and whether other organisations accountable to public authorities and with an interest in the functioning of capital and other financial markets should be considered for membership.

We believe that the proposed composition of the Monitoring Group (MG), representing the balance of the world's capital markets, as listed in paragraph 21 of the Constitution, is at the appropriate size and level. The MG should include top senior individuals of the organisations (in the highest level functions). Indeed it is crucial that these members of the MG are at the highest seniority level, in order to be able to still attract high calibre senior individuals as IASCF Trustees. We support the current composition of the MG and would not favour extending its size. However, we suggest to replace in paragraph 21 (a) "the responsible member of the European Commission" by "the European Commissioner with responsibility for financial reporting" to be more precise. In addition we notice that specific business sectors such as banks and insurance companies are not directly represented except by the organisations that are members of the MG, such as the World Bank or the EC. If their interests were to be not well represented, the composition of the MG should be reconsidered.

Q3 - The Trustees will remain the body primarily responsible for the governance of the organisation and the oversight of the IASB. Their responsibility to a Monitoring Group will enable regulatory and other authorities responsible for the adoption of IFRSs to review the Trustees' fulfilment of their constitutional duties. Does the formulation of the Monitoring Group's mandate and the Trustees' reporting responsibilities, as described in the proposed Section 19, appropriately provide that link, while maintaining the operational independence of the IASC Foundation and the IASB?

We think that the selection of the Trustees should remain the responsibility of the Trustees and that the role of the MG is to endorse the proposed candidates that have been selected following an agreed nomination process. We agree that the MG could propose candidates but without that strong preference which a "recommendation" carries and furthermore, we consider that these candidates should follow the same nomination process as the other candidates. Consequently, the Monitoring Group should oversee the selection and appointment process and in that respect we would rather use the word "endorse" for the appointment of Trustees.

In addition we think that the Constitution should provide guidance on how to assess the work of the Trustees when they are in the process of renewal. Some guidelines should be provided to assess if they shall or should not be renewed.

We note that the responsibilities of the Monitoring Group are to review and provide advice to the Trustees on their fulfilment of their responsibilities as set out in paragraph 19 (b) of the Constitution. We agree that the MG should oversee whether and how the Trustees are fulfilling their obligations and we believe that their mandate should be limited to that.

Indeed it seems that paragraph 19 (c) of the Constitution increases the mandate of the MG far beyond its normal duties described in paragraph 18 of the proposals. We do not agree with the proposal that the MG shall have the authority to request meetings with the chairman of the

IASB about any area of work of the IASB. It is the role of the Trustees “to review annually the strategy of the IASC Foundation and the IASB and its effectiveness, including consideration, but not determination, of the IASB’s agenda” (§15 (c) of the Constitution).

Indeed, we believe that the MG should only review how the Trustees fulfil their responsibilities as set out in Sections 13 and 15 of the Constitution.

We agree that the governance of the IASC Foundation should remain with the Trustees and that the responsibilities of the Trustees remain unaltered. We believe for example that oversight of the IASB agenda is the primary responsibility of the Trustees.

Consequently we suggest that paragraph (c) should be included in paragraph (b) as part of the responsibilities of the Trustees and that all the references to the IASB should be removed.

Q4 - Given the proposed creation of a Monitoring Group, would there be a continued need for the Trustee Appointments Advisory Group in the selection of Trustees? If so, what should be the role and composition of the Trustees Appointments Advisory Group?

We do not have any objection to maintain an advisory group which will be in charge of preparing the work and the selection. Indeed, we believe that the work will be more effective if it is prepared by a limited number of members. For example the advisory group could be in charge of consultation with international organisations. However, we agree that the role of proposing the appointments remains with the Trustees.

Additional comments related to the Monitoring Group proposal

We insist on the transparency of the process and suggest that the minutes of the meetings between the MG and the Trustees or the Chairman of the Trustees should be made publicly available on the IASB website. However, we do not encourage the suggestion of making these meetings public.

Questions related to the IASB’s composition

Q5 - Do you support the principle behind expanding the IASB’s membership to 16 members in order to ensure its diversity, its ability to consult, liaise and communicate properly across the world, and its legitimacy?

We do not have any particular objection to the proposal of extending the size up to 16 members but are convinced that 16 is the maximum size in order to maintain effectiveness. We think that this could be judged appropriate if the role of IASB members is extending to explain all over the world the application of IFRS.

Q6 - Do you agree with the geographical formulation suggested by the Trustees?

We are totally in agreement with the acknowledgement in paragraph 23 of the proposals that “professional competence and practical experience should remain paramount”. Consequently we emphasise that “the main qualifications for membership of the IASB shall be professional competence and practical experience [...] and the best available combination of technical expertise and diversity of international business and market experience [...]” as set out in § 19 of the Constitution. Indeed, we do not favour the setting of geographical criteria but rather that “the Trustees shall ensure that the IASB is not dominated by any particular constituency or geographical interest” as set out in § 20 of the Constitution and that “the IASB as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics” as set out in § 21 of the Constitution. Consequently, we do not favour geographical criteria and are of the opinion that sound principles should be maintained to select the IASB members.

Nevertheless, if the geographical allocation as set out in paragraph 26 of the proposals were to be maintained, we do not agree with the proposal to have four members from North America, which raises issues with respect to one-country dominance in the Board composition. As several countries in Latin America are making a move towards the adoption of IFRS, we therefore suggest that paragraph 26 (c) should be modified as follows: (c) four members from the Americas and paragraph (e) removed. Consequently paragraph (f) should be modified as follows: “three members appointed from any area, subject to maintaining overall geographical balance”.

Q7 - The Trustees are suggesting that the Constitution should provide flexibility on the matter of part-time membership. Do you support that proposal?

We believe that the IASB needs to maintain strong links with recent practical application of IFRS. Therefore, it is absolutely necessary to have part-time members who are still in contact with practical application and implementation of IFRS, in addition to current and up to date knowledge of financial reporting.

Although we welcome the suggested increase of part-time members to three, we are concerned about the flexibility proposed. This would imply that there could be no part-time members at a certain point in time. We believe that a minimum number of part-time members should be maintained and suggest this to be 3 out of 16. However, the flexibility to include more part-time members is desirable. Therefore, we suggest that no upper limit should exist.

If the current proposals of introducing flexibility between zero and three part-time members are retained, the appointment and reappointment terms of Board members need to be reconsidered. Paragraph 25 of the Constitution indicates that “members of the IASB shall be appointed for a term up to five years, renewable once”. We are of the opinion that a period of ten years is too long and risks disconnecting members of the Board from practical experience in the application and implementation of IFRS. If there is no longer a guaranteed counterbalance by part-time members, we call on the IASCF to reconsider the length of the appointment and reappointment periods of the Board members.

Additional comments related to the IASB’s composition.

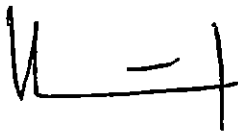
The proposals set out in paragraph 30 that "the Trustees will maintain a supermajority requirement in the Constitution" (paragraph 30 of the current Constitution requires approval by 9 out of the 14 members of the IASB). The proposal in new paragraph 36 of the Constitution requires "approval by 9 members of the IASB, if there are fewer than 16 members or by 10 members if there are 16 members".

We do not see any reason to change the supermajority for voting the publication of an exposure draft, revised IAS, IFRS or IFRIC. Given the need for high quality standards we suggest to include a supermajority of 11 out of 16 and at least 66.66% of the membership at the voting time.

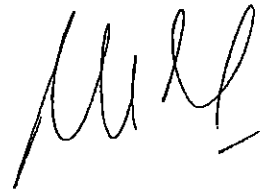
We reserve our last comments, including observations on the agenda setting process by the IASB and the SAC, for the second part of the Constitution review.

We would be pleased to discuss with you any aspect of this letter that you may wish to raise with us.

Yours sincerely,

A stylized handwritten signature consisting of a large 'V' followed by a horizontal line and a vertical stroke.

Vincent BAILLOT
President of the CNCC

A cursive handwritten signature with multiple loops and a long horizontal tail.

Jean-Pierre ALIX
President of the CSOEC