

Ms. Tamara Oyre
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IASB Foundation
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United Kingdom

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Review of the Constitution – Public Accountability and the Composition of the IASB – Proposals for Change

Dear Ms. Oyre:

Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF) the accounting standards setter body in México, hereby presents for your consideration its comments and responses to your Discussion Document (DD) **Review of the Constitution – Public Accountability and the Composition of the IASB – Proposals for Change**.

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?

No, we do not support the creation of a link to a Monitoring Group in order to create a direct link of public accountability to official institutions. We believe that the responsibility of overseeing the activities of the Board should remain on the Trustees. We consider that, if needed, the monitoring task with financial institutions could be assumed by IOSCO. However, if the Monitoring Group is created, in our opinion it should include not only regulators (official institutions): it is extremely important that such Monitoring Group also includes representatives of issuers, analysts and auditors (IFAC). We believe that integrating the Monitoring Group with representatives of regulators exclusively, may create an organism improperly balanced since decisions would be taken based only on the experience and interest of regulators without considering the experience, needs and ideas of preparers, auditors, analysts and other users of the financial information with the risk of influencing the preparation and issuance of IFRSs basically inclined to satisfy the information needs of regulators and perhaps discriminating the needs faced by other users of the financial information thus having IASB issuing IFRSs more theoretical than practical.

Q2 The proposals contemplate a Monitoring Group comprising representatives of seven public authorities and international organisations with a link to public authorities. While recognizing 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.

See our response to **Q1**.

- 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' fulfillment 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 remaining the operational independence of the IASC Foundation and the IASB?**

See our response to **Q1**

- 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?**

Yes. In our opinion, the Trustee Appointments Advisory Group should remain and its functions should not be transferred to the Monitoring Group if this is created.

The Trustees would welcome any additional comments related to the Monitoring Group proposal.

As stated in our response to **Q1** we do not approve the creation of the Monitoring Group

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 knowledge of any immediate need requiring for expansion of the IASB membership to 16 members. Notwithstanding the increasing number of countries adopting IFRSs we consider 14 to be an appropriate number of members of IASB. Increasing the number has the risk of making IASB less effective since discussions among its members, the leading by the Chairman of IASB of such discussions and the reaching of conclusions will require more time and efforts.

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

No, we disagree with the geographical proposal since it will maintain the actual and very much criticized preeminence in the Board of the industrialized and English spoken countries which preeminence has been in place since the creation in 1973 of the International Accounting Standards Committee (IASC), the predecessor of IASB. We believe that this preeminence has been acting against IASB before the world business community. Thus, we strongly believe that more developing countries from Latin America, Asia, Africa and Oceania should be incorporated to the Board of IASB.

Also, we recommend that paragraph 6 of the Constitution be amended to clearly define the terms North and South America. Presently, it is unclear which countries are included in such terms used by IASB. For instance it is not clear if for IASB's Constitution purposes Mexico is considered to be in North or South America, geographically it is clearly in North America but it is unclear if for IASB purposes it is considered to be there or in South America. Also, Central America and the Caribbean should be considered describing where they are included for IASB's Constitution purposes: North or South America.

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

We agree with the suggestion of the Trustees for amending the Constitution to provide flexibility on the matter of part-time memberships providing that such part-time membership will be used only to contract remarkable members than otherwise could not be engaged.

The Trustees would welcome additional comments on the proposals.

Paragraph 23 of the Preface to IFRSs states that "The approved text of any discussion document, exposure draft, or IFRS is that approved by the IASB in the English language..." Such paragraph continues stating that IASB may approve translations in other languages, but it is not clear if such approved translations may be considered as "approved text" for purposes of complying with IASB standards. We consider that it is of the most importance to clarify this situation. If the intention is that only the text in English is the one approved by IASB we recommend that such approach be changed to permit that IASB's approved translations in other languages may be considered also as approved text. For this purpose an approach similar to the one adopted by the United Nations could be adopted in order to have not only the English language as the official language of IASB but also to accept as approved text by IASB the translations in other languages. Such approved translations by IASB could be made locally in

several countries under their responsibility and the monitoring by IASB. The accomplishment of this recommendation may be very difficult but the effort is worthwhile and will permit a faster worldwide adoption of IFRSs. After all, if the United Nations found a way to have several official languages why IASB cannot find the way to do it?

Should you require additional information on our responses listed above, please contact me at 00-52-55-5596 5633/26/34 or by e-mail at fperezcervantes@cinif.org.mx

Sincerely,

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