



**BDO Global Coordination B.V.**  
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## COMMENT LETTER

To  
Tamara Oyre  
Assistant Corporate Secretary  
International Accounting Standards Committee Foundation  
30 Cannon Street  
London  
EC4M6XH  
United Kingdom

Date  
19 September 2008

By email: [constitutionreview@iasb.org](mailto:constitutionreview@iasb.org)

Dear Ms Oyre,

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

We are pleased to have the opportunity to respond on behalf of BDO International<sup>1</sup> to the IASCF's invitation to comment on the *Review of the Constitution: Public Accountability and Composition of the IASB*.

Our comments and observations to the detailed questions set out in the discussion document are set out in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them further, please contact either Helen Thomson at + 32 (0)2 778 0134 or Andrew Buchanan at +44 (0)20 7893 3300.

Yours sincerely,

BDO Global Coordination B.V.

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<sup>1</sup> BDO International is a world wide network of public accounting firms, called BDO Member Firms, serving international clients. Each BDO Member Firm is an independent legal entity in its own country.

The network is coordinated by BDO Global Coordination B.V., incorporated in the Netherlands, with an office in Brussels, Belgium, where the Global Coordination Office is located.

**Appendix****Responses to Questions relating to the Monitoring Group*****Question 1***

*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 that the creation of a Monitoring Group would be appropriate. However, as noted in our responses below, we also believe that it will be appropriate to ensure that the Monitoring Group acts purely in an advisory capacity, and does not have the ability or potential ability to direct the operations of the IASCF and IASB, as we believe that these should remain independent from the direct influence of external organisations.

***Question 2***

*The proposals contemplate a Monitoring Group comprising representatives of seven 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 are broadly in agreement with the proposed membership of the Monitoring Group, and its link to the balance of capital markets worldwide. We assume that the balance of membership would be required to be kept under review and changed as appropriate in the light of future developments.

***Question 3***

*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 IFRS to review the Trustees' fulfilment of their constitutional duties. Does the formation of the Monitoring Group's mandate and the Trustees' reporting requirements as described in the proposed section 19, appropriately provide that link, while maintaining the operational independence of the IASC Foundation and the IASB?*

We believe it is essential that the Trustees retain their independence, and that the potential is not introduced for the Monitoring Group to have too great an influence of the Trustees' activities. We are not wholly convinced that the proposals will provide that safeguard.

Section 18 sets out a process by which the Monitoring Group would be responsible for approving the selection of Trustees after an agreed nomination process. Further, the Monitoring Group would be entitled to recommend candidates and to provide input to elements of the nomination process. We are concerned that this might effectively result in the Monitoring Group being able to determine who should, and should not, be a Trustee through an effective 'veto right' of appointments. The risk of such influence is carried through to the language in paragraph 22, in the 'Revision to Section related to Trustee appointments'. For example, the Monitoring Group is proposed to be responsible for the approval of all Trustee appointments and reappointments, which implies a clear right of veto. This, combined with the entitlement of the Monitoring Group to 'recommend candidates and provide other input', with this 'other input' being unspecified, suggests that the Monitoring Group could well end up having control over who should, and should not, be a Trustee.

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We suggest that the Mandate of the Monitoring Group at this paragraph be modified such that it is explicit that the Monitoring Group would be capable only of making recommendations for the appointment of Trustees, rather than being responsible for the ultimate approval, and that there are clear terms of reference which set out the 'other input' that the Monitoring Group might have.

We agree with the proposals to ensure that the membership of the Monitoring Group is balanced, and that it is properly representative of global capital markets. However, we believe that it will be appropriate for the sections of the constitution that deal with membership of the Monitoring Group to be forward looking. In particular, it is essential that appropriate preventative measures be incorporated in order to ensure that no single group (or combination of groups) has, or might in the future have, undue representation or influence over the activities and direction of the Monitoring Group. It will also be appropriate to require a periodic review of membership to ensure that it continues appropriately to reflect the composition of global capital markets, and for changes to be required in the event that it does not.

#### *Question 4*

*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 roles and composition of the Trustee Appointments Advisory Group?*

On the basis that, once finalised, the activities of the Monitoring Group would duplicate those of the Trustee Appointments Advisory Group, we consider that the latter would not need to continue.

#### **Questions related to the IASB's composition**

#### *Question 5*

*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?*

While we understand the stated reasons for expanding the membership to 16, we have a number of concerns. In particular, we believe that the expansion in numbers could result in the potential for increased difficulties in the approval of new and revised accounting standards. In particular, the increased number of members would increase the risk of the need to include options in new or amended standards in order that sufficient Board members were prepared to vote in favour. We note that this has already occurred in the revised IFRS 3, where an option to gross up minority interest for its share of goodwill (rather than a requirement to do so) needed to be included in the revised standard. We are concerned that this would become more frequent if membership were to be expanded.

We note at paragraph 29 that the Trustees do not believe that expanding the IASB's membership will impair its ability to make decisions in a timely fashion. While it may be that the increase in numbers would not have such an effect, we believe that there is a substantial risk that the development and issue of new accounting standards would become slower than at present.

***Question 6***

*Do you agree with the geographical formulation as suggested by the Trustees?*

While we do not object to the suggested formulation, and understand the desire to have a Board which is truly representative of constituents, we believe that it is of fundamental importance that the Board is comprised of those who have the necessary skills and experience. We note that the Criteria for IASB Members includes, at section 1, technical competency and knowledge of financial accounting and reporting. We believe that this requirement should override geographical considerations.

Linking our response to question 5 above, we would also suggest that the Trustees consider whether it is necessary for there to be four members from each of the Asia/Oceania, European and North American regions.

***Question 7***

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

We support the proposal for part-time members of the IASB, as it is more likely that members could be found from the user / preparer community. We believe that this would be helpful in bringing a broader range of practical experience and backgrounds to the Board.