



10 September 2008

constitutionreview@iasb.org

Ms Tamara Oyre
Assistant Corporate Secretary
IASB Foundation
30 Cannon Street
London
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Dear Ms Oyre

REVIEW OF THE CONSTITUTION - DISCUSSION DOCUMENT

IMA represents the asset management industry operating in the UK. Our members include independent fund managers, the investment arms of retail banks, life insurers and investment banks, and the managers of occupational pension schemes. They are responsible for the management of £3.4 trillion of assets, which are invested on behalf of clients globally. These include authorised investment funds, institutional funds (e.g. pensions and life funds), private client accounts and a wide range of pooled investment vehicles. In particular, the Annual IMA Asset Management Survey shows that in 2007 IMA members managed holdings amounting to 44% of the domestic equity market.

In managing assets for both retail and institutional investors, IMA members are major investors in companies whose securities are traded on regulated markets. Therefore, we have an interest in the standards governing how such companies prepare their accounts and the governance and processes of the bodies that set those standards.

IMA welcomes the International Accounting Standards Committee Foundation (IASCF) undertaking this constitutional review and giving us the opportunity to comment. IMA considers that the IASCF's Trustees have an important role in ensuring that the International Accounting Standards Board (IASB) follows due process and following the 2005 constitutional review, we welcomed the Trustees' oversight role being more formalised and enhancements to the IASB's processes. In the latter respect, we welcome the fact that the Trustees recently decided to invite individuals from representative organisations, including investor organisations, to apply for membership of the re-structured Standards Advisory Council to help inform the IASB.

IMA also appreciates the proposal to enhance the IASCF's accountability in paragraphs 10 and 11 of the Discussion Document by establishing mechanisms whereby it maintains regular contact with its stakeholders but do not consider they

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necessarily go far enough. IMA would like to see individuals with investment experience included in the IASCF's constitutional arrangements and being appointed as Trustees. In particular, as investor representatives would be in the minority amongst the trustees, it is important that they are able to influence the governance and oversight arrangements, as well as the IASB's pronouncements, given the importance of these matters to the user community. We consider this would strengthen the IASCF's standing and effectiveness and facilitate investors' acceptance of IFRS.

Furthermore, although we appreciate that the Trustees have helped improve the IASB's consultation process; we have concerns as to how the IASB sets its agenda and work plan. In particular, there are certain areas that the IASB is planning to address which we do not believe merit attention and other areas where we believe the standards need to be improved but which are not a priority. We consider that the IASCF should involve itself more with process whereby the IASB sets its agenda and priorities.

As regards the Monitoring Group, given that the proposal is for it to consist of representatives from the public sector/regulators and not a balanced cross-section as among the trustees and the Board then we consider it important that the Group should not be able to influence the actual standard setting process. If the Group were to have such influence then we consider its make-up would need to be reconsidered.

We set out in the attached our answers to the questions raised and specifically highlight that we consider that:

- there should be more transparency as to the Monitoring Group's governance arrangements to guard against political interference and mission creep;
- the Monitoring Group's role should be limited to monitoring the IASCF's operations and appointing the Trustees and it should not impact the IASB's operations;
- the Monitoring Group should have certain enforcement powers which are clearly prescribed and annually publish a review of its activities; and
- the IASB needs input from both the users and preparers of accounts to produce standards that are acceptable and appropriate internationally and we would be concerned if suitable users or preparers failed to be appointed on the basis that they do not achieve the defined geographical diversity.

Please do contact me if you would like clarification on any of the points in this letter or the attached, or if you would like to discuss any issues further.

Yours sincerely



Liz Murrall
Director, Corporate Governance and Reporting

IMA RESPONSE TO DISCUSSION DOCUMENT - REVIEW OF THE CONSTITUTION

IMA's answers to the specific questions raised are set out below.

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

In principle, IMA supports the creation of a Monitoring Group in order to create a direct link of public accountability to official institutions. However, we consider it important that the Group's governance arrangements are transparent - they are not included within the consultation. In particular, there should be checks and balances to prevent political interests exercising undue influence over the Group and to guard against mission creep – we believe that the Group's role should be limited to monitoring the IASCF's operations and not those of the IASB.

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.

IMA considers that there should be some flexibility as to the membership of the Monitoring Group so that new members can join and ensure that its members maintain sufficient standing to give the Monitoring Group status. On the basis that the Group is not able to influence the actual standard setting process, then we do not believe that users should necessarily be represented on it but they should be formally integrated into the IASCF's constitutional arrangements and be able to influence the governance and oversight arrangements as well as the IASB's priorities and pronouncements. Thus we would like to see users becoming members of the IASB and the Standards Advisory Council and for the IASC Foundation to include Trustees with investment experience. In this respect, we welcome the fact that the Trustees recently invited individuals from representative organisations, including investor organisations, to apply for membership of the re-structured Standards Advisory Council to help inform the IASB.

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 Trustee's 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?

IMA agrees that the the Trustees should remain the body primarily responsible for the governance and oversight of the IASB. In this respect, we are concerned that section 19(c) gives the Monitoring Group the authority to request meetings with the chair of the IASB to discuss any area of the IASB's work. Although we understand that the Trustees or the chair of the Trustees would also have to be present at such meetings, we consider that this should be made clearer in the text. Even then we have concerns that allowing the Monitoring Group to meet with the chair of the IASB runs the risk that it could impact on the IASB's operations. In summary, we believe that the IASCF should be a buffer between the IASB and the Monitoring Group and that the latter's role should be restricted to monitoring the IASCF's operations and appointing the Trustees and it should not impact on the IASB.

Furthermore, we believe the Monitoring Group should have certain enforcement powers should the Trustees fail to fulfill their constitutional duties. These powers should be clearly prescribed. In addition, to ensure the Group's public accountability it should annually publish a review of its activities.

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 of the Trustees Appointments Advisory Group?

IMA considers that with the proposed creation of a Monitoring Group there would no longer be a need for the Trustee Appointments Advisory Group (TAAG) and that it could be disbanded.

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

IMA would like to see investors included in the IASCF's constitutional arrangements and being appointed as Trustees so that they can influence the governance and oversight arrangements as well as the IASB's pronouncements. We consider that involving investors in this way would strengthen the IASCF's standing and effectiveness and facilitate the acceptance of IFRS by the investor community. Given the Monitoring Group is to be responsible for the approval of Trustee appointments and will have an effective right of veto, we would welcome this being more formally incorporated into the constitutional arrangements.

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?

IMA supports the principle behind expanding the IASB's membership to 16 in order to ensure its diversity, its ability to consult, liaise and communicate properly across the world, and its legitimacy. Although an enlarged board will be more challenging to chair, it will allow more representation from the increasing number of countries that are adopting IFRS, as well as the user and preparer communities.

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

IMA agrees with the geographical formulation suggested by the Trustees. That said, we consider it is more important that IASB members have professional competence and practical experience and welcome the Constitution's emphasis on these factors. For the IASB to produce standards that are acceptable and appropriate internationally it needs input from both the users and preparers of accounts and we would be concerned if suitable users or preparers failed to be appointed because they would not achieve the defined geographical diversity.

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

IMA supports the constitution providing flexibility on the matter of part-time membership of the IASB. This should make it easier to attract candidates from both the user and preparer communities.

The Trustees would welcome additional comments on the proposals.

We have no additional comments on Phase 1 of these proposals.

