

September 18, 2008

Ms. Tamara Oyre
Assistant Corporate Secretary
IASCF Foundation
30 Cannon Street
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United Kingdom

Dear Ms. Oyre:

IASCF: Review of the Constitution—Public Accountability and the Composition of the IASB—Proposals for Change—July 2008

This letter provides comments of the Canadian Accounting Standards Board and the Accounting Standards Oversight Council's Strategy Committee regarding the IASCF Foundation (IASCF) proposals in its July 2008 Discussion Document: Review of the Constitution—Public Accountability and the Composition of the IASB—Proposals for Change.

Proposal to create a Monitoring Group

We **support** the creation of a Monitoring Group comprising representatives of "public authorities generally charged with the adoption or recognition of financial reporting standards..." in order to create a direct link of public accountability, and agree with the proposed criteria for composition of the Monitoring Group, as set out in paragraph 19 of the proposals (questions 1 and 2). We think that the formulation of the Monitoring Group's mandate and the Trustee's reporting responsibilities, as described in the proposed Section 19, appropriately provide the link to regulatory and other authorities while maintaining the operational independence of the IASCF and the IASB (question 3). We think it important that there be an explicit requirement for the Monitoring Group to meet in public. The annual written report by the Trustees to the Monitoring Group (referred to in paragraph 19(b) of the proposed changes to the Constitution) should be publicly available.

We would have preferred that the Charter of the Monitoring Group and Memorandum of Understanding between the Trustees and Monitoring Group had been available for review at the same time as the Constitution proposals. We think it important that this Charter and Memorandum will recognize the need for stakeholders in addition to those from capital markets to be represented among the Trustees and in the rest of the IASCF structure. Our support of the Monitoring Group and its composition is conditioned on the continuation of the Trustees' current

role within the IASCF and the continued application of Sections 6 and 7 of the current Constitution governing the selection of Trustees to represent the range of various stakeholder interests.

Given the proposed creation of a Monitoring Group, and its proposed mandate, we are unaware of any continued need for the Trustee Appointments Advisory Group (question 4).

Proposal to enlarge the size of the IASB with an explicit geographical component

We **disagree strongly** with expanding the IASB's membership to 16 members (question 5). We accept that benefits can be gained from diversity. However, the primary role of Board members is to set financial reporting standards. As such, the Board's composition needs to be most effective for fulfilling that role. This requires an optimal decision-making size. Considerable research and practical experience demonstrates that a much smaller size is optimal for efficient decision making. Indeed, many boards are reducing their size to improve governance and decision making. We disagree that legitimacy is enhanced by attempts to make the Board more representative. Rather we think that legitimacy results from the quality of the governance structures, the due process and, ultimately, the standards. The first is dependent on the Trustees, the latter two are dependent on the quality of the Board members—not on how many there are. Any additional activities, such as liaison, while they are important, do not necessarily require the same skill-set, and need not be the role of Board members—indeed, liaison with the Canadian Accounting Standards Board and Canadian stakeholders today is provided very effectively by a senior IASB staff member. The effective functioning of the Board in setting financial reporting standards needs to be considered separately from the effective functioning of the organization as a whole.

We **disagree strongly** with introducing a geographical component into the Board composition (question 6). We think that professional competence remains the primary qualification for Board members. We think that adding a requirement for specific geographical representation can only make it harder to attract superior candidates to the Board and risks diluting the overall quality of Board membership. Whatever range of geographical representation is established it will be impossible to include everybody. The decision to adopt IFRSs is likely to be based on the professional competence of the Board, rather than on geographical representation. We think that additional perspectives would not be brought to the Board by imposing a requirement for specific geographical representation over and above the present requirement to ensure that there is no domination by any particular constituency or geographic interest. Furthermore, we think that the geographical requirements will be open to second-guessing as to how they have been met. For

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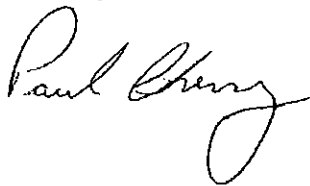
example, what does it mean that a member is "from" a particular jurisdiction—they hold a passport from that jurisdiction, they have recently been resident in that jurisdiction, they have built most of their career in that jurisdiction, etc.? Indeed, individual Board members who have worked in more than one area, or have experience outside their own jurisdiction, are likely to be more valuable than having that mixture only among the Board collectively. It is more important that the Board comprises individuals with a wide range of background experiences than that they are drawn from particular geographical locales. This issue was thoroughly considered by the Strategy Working Party when the IASB was first established and we see no evidence to suggest that the answer needs revisiting.

We support the proposal for flexibility on the matter of part-time membership (question 7).

We think that the voting majority for decisions of the IASB other than approval of an exposure draft or IFRS, but including publication of a discussion paper, is too low (paragraph 36 of the proposed Constitution). At an extreme, with a 16 member Board, six out of 10 members present at a meeting could approve a discussion paper. We think that the minimum threshold for such a document should be a simple majority of the Board membership as a whole.

Should you require any additional information about our comments, please contact either of us, or Peter Martin, Director, Accounting Standards (peter.martin@cica.ca) or Ian Hague, Principal, Accounting Standards (ian.hague@cica.ca).

Yours truly



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