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Organización Internacional de Comisiones de Valores  
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Organização Internacional das Comissões de Valore

December 18, 2009

Ms. Tamara Feldman  
Assistant Corporate Secretary  
International Accounting Standards Committee Foundation  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

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

**RE: Part 2 of the Constitution Review – Proposal for Enhanced Public Accountability September 2009**

Dear Ms. Feldman:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding Part 2 of the IASCF Constitution Review.

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

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We have provided responses to the matters raised by the IASC Foundation in its Invitation to Comment. The headings preceding the numbering of the paragraphs, below, correspond with the related issue and question number within the IASCF discussion document.

## **Confusion associated with the existing names within the IASC Foundation**

### *1. Name of Foundation and Board*

The change of name for both the Foundation and the Board to “IFRS Foundation” and “IFRS Board”, respectively, seem reasonable in light of the standards being set. This change would conform the names of the Foundation and Board with the principal product of the standard setting process, as well as be consistent with the terminology of the International Financial Reporting Interpretations Committee (IFRIC). We support the change, but note that name changes like this always come with an administrative cost and therefore encourage the Foundation to maintain the proposed name change for the long term. However accounting standards including related disclosures should remain the main focus and priority of the IFRS Board.

### *2. Use of the term “Accounting Standards” versus “Financial Reporting Standards”*

The change of terminology throughout the Constitution from “accounting standards” to “financial reporting standards” seems like an appropriate change to make at the same time that the names of the Foundation and Board are changed. Those changes make sense to us for the reasons noted above in our response to Question 1.

## **The need to clarify the objectives of the organization in the light of global IFRS adoption**

3. Yes, we agree with the changes to clarify that taking account of emerging economies and of the special needs of small and medium-sized entities are not one and the same. Further, we agree with the change to better acknowledge that decisions to adopt IFRS reside with the relevant authorities. As a result, we believe the text for item (d) should also be amended to indicate “to promote convergence of national accounting standards and international financial reporting standards...” as the IFRS Foundation cannot in and of itself bring about convergence.

## **Reflecting the role of the Monitoring Board**

4. We agree that the operating procedures of the Monitoring Board and its relationship with the Trustees are appropriately included within the Monitoring Board’s Charter and the MOU between the Monitoring Board and the Trustees. Accordingly this information would not become part of the Constitution itself; rather, as proposed, a reference to the relationship of the IASCF to the Monitoring Board is included to formalize the link. With regard to the existing Constitution provision to make minor variations in the

operation of the Constitution, the Trustees may consider reviewing any information with the Monitoring Board if this would be appropriate under the provisions of the MOU.

### **Recognising the participation of Trustees from Africa and South America**

5. We support the goal of establishing a broad geographical balance in which the entire world's major regions are represented by qualified individuals who meet criteria for serving as a Trustee. We therefore support the amendments to add specific mention of the continents of Africa and South America, as the resulting provisions would formalize representation from all the world's major regions.

### **A provision for up to two Vice-Chairmen of the Trustees**

6. We recognize that the responsibilities of Foundation leadership give rise to the need for up to two Vice-Chairmen to assist the Chairman in meeting those responsibilities. Since such positions would likely involve prominence and visibility, we note the importance of the overall geographical balance for the Trustees assigned to these positions and considering Trustees from more than one region to fill these roles. We believe it would be desirable for the Constitution to provide some indication of potential ranges of the duties and the status of these roles; that is, whether they are specified in advance or would be determined by the Chairman, Trustees as a group, or any other manner in which they would be determined.

### **Continued emphasis on effective Trustee oversight**

7. We support the proposal to make no specific amendments in the Constitution itself but believe that some explanation of the Foundation and Board's intended future plans to address the comments received regarding enhanced accountability, consultation, reporting and ongoing internal due process improvements in documents to accompany the revised Constitution when it is issued would be helpful to stakeholders and constituents. In addition, the Trustees should publish details on how the effectiveness of their oversight function would be measured and report on this to the Monitoring Board.

### **Expanding the IASB's liaison with other organizations**

8. We support the improved emphasis on the IFRS Board's outreach and liaison activities as described. We also believe it is appropriate to avoid mention of any specific group or groups with whom the IFRS Board would consult because it is undesirable to single out any one organization over others. We believe that it is important that the IFRS Board maintain the independence of its standard setting activities in considering input received from various constituents.

### **The possibility of two Vice-Chairmen for the IFRS Board**

9. We support this change to provide for two instead of one Vice-Chairmen for the reasons as described in our response to Question 6. We also make the same comments as to the geographical balance and duties or responsibilities for two Vice-Chairmen.

#### **The length of IFRS Board members' terms**

10. We neither encourage nor object to the proposed change to reduce the length of a Board member's second term from five to three years. We also do not understand why the Trustees felt strongly that the length of the second terms differ for Board members as compared to the IASB Chairman and Vice-Chairman, which are proposed to remain at five years. While we recognize that some constituents and stakeholders may wish to have Board member terms that provide the ability to achieve more recent experience with IFRS or additional geographical considerations among members of the Board, we are neutral on the proposal to shorten a Board member's second term from five to three years because we think the goals involved can be accomplished within the present system because the initial term of a Board member is up to five years. We also believe the Board could operate effectively with the proposed system.

#### **Accelerated due process**

11. Because the Board is an international standard setter, with a constituency that involves many countries and regions and many languages, we do not believe there should be an exposure period of less than 30 days and we believe that a consultation period should be observed in all cases. We note that the current terms of the IASB's Due Process handbook provide for this. While we can appreciate the thinking behind this proposed amendment to the Constitution that would add the process by which the Trustees could approve a consultation period of less than 30 days in exceptional circumstances, if this change is made to the Constitution and exceptional circumstances do arise for which the Board does consult with the Trustees about using a consultation period of less than 30 days then the Trustees should also consider the need for consultation with the Monitoring Board.

#### **Encouraging greater input into the IASB's agenda-setting process**

12. Our understanding is that under these proposed changes the Trustees intend that the IASB has the final word on what it takes up on its agenda and when, but that the IASB is required to consult with the Trustees and its Standards Advisory Council as part of forming its conclusions. We support this amendment; however, we suggest the proposed wording be made clearer with respect to the Board's role. In addition, we observe that the Board's agenda setting process could be more transparent. It would be desirable for the IASB to include periodic public consultation on its work program to set priorities for all of the projects with explanation of how resources are being used and allocated to various projects. We believe such public consultations based on a robust process would be useful to ensure adequate feedback from stakeholders on their ability to absorb the new standards resulting from the work program and to better formulate priorities having

regard to the experience of regulators, the needs of investors as well as the capacity of issuers and auditors to understand and implement the new standards.

### **Review of the Standards Advisory Council**

13. We agree that it is not necessary to make any changes relating to the provisions for the Standards Advisory Council (SAC) at this time because of the recent reconstitution of the SAC. However, we suggest that it may make sense to review this at an interim date after the new SAC has been operating on the new basis for a time, rather than wait for the next Constitution review in 5 years. We believe transparency would be improved by having formal feedback on actions taken by the Board in response to the comments made during SAC discussions.

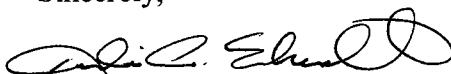
### **Further clarifying amendments and improvements**

14. We support the changes to remove specific staff titles and to eliminate references to when the IASCF was founded in the interest of revising the Constitution to be more overarching and timeless in its ongoing content. It is not unusual for organizations and staff titles to undergo change over time.

\* \* \* \*

We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at +1 202 551 5300.

Sincerely,



Julie A. Erhardt

Chair

IOSCO Standing Committee No. 1