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Ms. Tamara Oyre
IASC Foundation
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19 November 2009

Re: **Part 2 of the IASCF Review of the Constitution: *Proposals for Enhanced Public Accountability***

Dear Ms. Oyre,

We are pleased to have an opportunity to provide our comments on the *Proposals for Enhanced Public Accountability* - Part 2 of the IASCF Review of the Constitution.

We welcome that the IASCF is seeking advices on how further to enhance its organisation's governance. Our comments are set as follow, but we wish to point out below the main remarks:

1. We agree with the Trustees suggestion of "globally accepted financial reporting standards", since it conforms with the IFRS objective, while we do not agree with the Trustees decision not to include in the Constitution a specific reference to "principle-based" standards. In addition, we suggest that the "stewardship" should be included among the objectives of the Organisation, since it is a fundamental characteristic of accounting and financial reporting.
2. We strongly support the proposal to allow the IFRS Board to liaise with national standard-setters and other official bodies with an interest in standard-setting in order to assist in the development of IFRS. However, we do believe that, when a wide number of commentators have expressed serious concerns about a proposed standard, the Board should reconsider the impact assessment regarding the related implications.
3. We agree that the maximum length of service should be 8 years for board members appointed after 2 July 2009. However, we would suggest that they are appointed initially for a fixed term of five years and renewable once for a term of up to three years. This would initially be more appealing for candidate with the best profile.

Question 1

The Trustees seek views on the proposal to change the name of the organisation to the 'International Financial Reporting Standards Foundation', which will be abbreviated to 'IFRS Foundation'. The Trustees also seek views on the proposal to mirror this change by renaming the International Accounting Standards Board (IASB) as the International Financial Reporting Standards Board, which will be abbreviated to 'IFRS Board'. Do you support this change in name? Is there any reason why this change of name might be inappropriate?

Question 2

The Trustees seek views on the proposal to replace all references to 'accounting standards' with 'financial reporting standards' throughout the Constitution. This would accord with the name change of the Foundation, the Board and the formal standards developed by the IASB-International Financial Reporting Standards (IFRSs). Do you support this change?

We agree with the proposal to replace *IASC Foundation* with *IFRS Foundation*, *IASB* with *IFRS Board* and all references to *accounting standards* with *financial reporting standards*, to be made only for consistency purposes, taking into consideration that 'financial reporting' is a recurring term through IASB publications.

However, as the indicated changes might raise concern about extending the IASB present mandate of setting accounting standards, we strongly recommend of stressing the fact that the Trustees proposal is only limited to a change in name.

Question 3

The Trustees seek views on their proposal to change section 2 as follows:

The objectives of the ~~IASC~~ IFRS Foundation are:

- a. to develop, in the public interest, a single set of high quality, understandable, ~~and~~ enforceable and globally accepted ~~accounting~~ financial reporting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions;*
- b. to promote the use and rigorous application of those standards;*
- c. in fulfilling the objectives associated with (a) and (b), to take account of emerging economies and, as appropriate, the special needs of small and medium-sized entities ~~and emerging economies;~~ and*
- d. to bring about convergence of national accounting standards and ~~International Accounting Standards~~ and International Financial Reporting Standards (IFRSs, being the standards and interpretations issued by the IFRS Board) to high quality solutions.*

We agree with the Trustees suggestion of "globally accepted financial reporting standards", since it conforms with the IFRS objective, while we do not agree with the Trustees decision to exclude in the Constitution a specific reference to "principle-based" standards.

We do not believe that the inclusion of "principle-based" in the Constitution might create a convergence problem with respect to the "rule-based" in US.

In addition, we suggest that the "stewardship" should be included among the objectives of the Organisation, since it is a fundamental characteristic of accounting and financial reporting, as we have already remarked in a previous comment letter sent to the IASB.

Furthermore, we agree with the Trustees suggested inclusion that the Foundation objective should take into account the emerging economies and, as appropriate, the special needs of small and medium-sized entities. See also our answer 5.

Question 4

The Trustees seek views on the proposal to amend section 3 of the Constitution as follows:

The governance of the IASB IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. A Monitoring Board (described further in sections 18–23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they ~~are empowered to~~ may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of all the Trustees.

In the Trustees' view the change clarifies the role of Monitoring Board and the separation of its functions from the Trustees and the IASB. The Trustees think that a level of provisions more detailed, as recommended by many commentators, is not appropriate for a constitutional document.

We agree with the Trustees proposal.

Question 5

The Trustees seek views on the proposal to amend section 6 of the Constitution as follows to include one Trustee from each of Africa and South America:

All Trustees shall be required to show a firm commitment to the IFRS IASB Foundation and the IFRS Board IASB as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global accounting financial reporting standards developed for use in the world's capital markets and by other users. The mix of Trustees shall broadly reflect the world's capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:

- (a) six Trustees appointed from the Asia/Oceania region;*
- (b) six Trustees appointed from Europe;*
- (c) six Trustees appointed from North America; and*
- (d) one Trustee appointed from Africa;*
- (e) one Trustee appointed from South America; and*
- ~~(f) two~~ ~~four~~ Trustees appointed from any area, subject to maintaining establishing overall geographical balance.*

Do you support the specific recognition of Africa and South America?

We agree with the changes proposed to the geographical allocation of Trustees, in accordance with the change of the composition of IASB.

Question 6

The Trustees seek views on the proposal to amend section 10 of the Constitution as follows to allow up to two Trustees to be appointed as vice-chairmen of the Trustees.

The Chairman of the Trustees, and up to two Vice-Chairmen, shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. With the agreement of the Trustees, regardless of prior service as a Trustee, the appointee may serve as the Chairman or a Vice-Chairman for a term of three years, renewable once, from the date of appointment as Chairman or Vice-Chairman.

Do you support the constitutional language providing for up to two Vice-Chairmen?

We agree with Trustees proposed amendment, made in order to share some of the Chairman obligations and functions.

Question 7

The Trustees seek views on the proposal to make no specific amendments to sections 13 and 15, but to address the valid and important concerns raised by commentators by way of enhanced accountability, consultation, reporting and ongoing internal due process improvements.

We agree with the Trustees proposal not to make, at the moment, constitutional changes. If properly followed, "the Constitution already provides the Trustees with powers to ensure that their oversight functions are carried out effectively", as mentioned in the Proposal of Review.

Question 8

Section 28 would be amended as follows:

The ~~IASB~~ IFRS Board will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters and other official bodies ~~concerned with an interest in~~ assist in the development of IFRSs and to promote the convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards IFRSs.

Do you support the changes aimed at encouraging liaison with a broad range of official organisations with an interest in accounting standard-setting?

We support the Trustees' proposed change to recommend the IFRS Board to liaise with national standard-setters and other official bodies with an interest in standard-setting, with the aim to assist the Board in the development of IFRS. We also suggest that when a wide number of commentators have expressed serious concerns about a proposed standard, we think that the Board should reconsider the impact assessment regarding the related implications. In addition, the results of the reassessment, if any, should be transparent and communicated to the commentators directly, especially with regards to National Standards Setters.

Question 9

The Trustees seek views on the proposal to amend section 30 of the Constitution as follows to permit the appointment of up to two Board members to act as vice chairmen of the IASB.

The Trustees shall appoint one of the full-time members as Chairman of the IASB IFRS Board, who shall also be the Chief Executive of the IASC IFRS Foundation. One Up to two of the full-time members of the IASB IFRS Board shall may also be designated by the Trustees as a Vice-Chairman, whose role shall be to chair meetings of the IASB IFRS Board in the absence of the Chairman or to represent the Chairman in external contacts in unusual circumstances (such as illness). The appointment of the Chairman and the designation as Vice-Chairman shall be for such term as the Trustees decide. The title of Vice-Chairman would not imply that the individual member (or members) concerned is (or are) the Chairman-elect.

We agree with the appointment up to two Vice-Chairmen to assist the Chairman of the IASB in fulfilling its functions.

Question 10

The Trustees seek views on the proposal to amend section 31 to allow for altered terms of appointment for IASB members appointed after 2 July 2009. The proposed amendment is to allow for Board members to be appointed initially for a term of five years, with the option for renewal for a further three-year term. This will not apply to the Chairman and Vice-

Chairman, who may be appointed for a second five-year term. The Chairman or Vice-Chairman may not serve for longer than ten consecutive years. The proposed amendments to section 31 are as follows:

Members of the IASB IFRS Board appointed before 2 July 2009 shall be appointed for a term of up to five years, renewable once for a further term of five years. Members of the IFRS Board appointed after 2 July 2009 shall be appointed initially for a term of up to five years. Terms are renewable once for a further term of three years, with the exception of the Chairman and a Vice-Chairman. The Chairman and a Vice-Chairman may serve a second term of five years, but may not exceed ten years in total length of service as a member of the IFRS Board.

Do you support the change in proposed term lengths?

We agree with the proposed change that the maximum length of service should be 8 years for Board members appointed after 2 July 2009. However, we would suggest that they are appointed initially for a fixed term of five years and renewable once for a term of up to three years. This would initially be more appealing for candidate with the best profile in technical skills with IFRSs and related accounting matters, and extensive experience of relevant international business and market conditions.

We think that Board members appointed before 2 July 2009 should cover a maximum length of service of up to 8 years, except when they are, at that date, in their second term.

We agree with the exceptions provided for the Chairman and the two Vice-Chairmen.

Question 11

The Trustees seek views on the proposal to insert in section 37 (to become section 38) of the Constitution an additional subsection as follows to allow the Trustees, in exceptional circumstances, to authorise a shorter due process period. Authority would be given only after the IASB had made a formal request. The due process periods could be reduced but never dispensed with completely.

The IASB IFRS Board shall:

(a) ...

(b) ...

(c) in exceptional circumstances, and only after formally requesting and receiving prior approval from the Trustees, reduce, but not eliminate, the period of public comment on an exposure draft below that described as the minimum in the Due Process Handbook.

As noted in the ED, the IASB procedures, approved by the Trustees, already allow a shorter period of consultation, if required, of 30 days. We think that even if some kind of emergency might occur in the future, although they will be very rare cases, a due process period shorter than 30 days does not assure that an effective consultation is made.

Question 12

The Trustees seek views on the proposal to amend section 37(d) (to become section 38) of the Constitution as follows to expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda.

The IASB IFRS Board shall:

~~(e)(d)~~ have full discretion in developing and pursuing the technical agenda of the IASB IFRS Board, after consulting the Trustees (consistently with section 15(c)) and the SAC (consistently with section 44(a)), and over project assignments on technical matters: in organising the conduct of its work, the IASB IFRS Board may outsource detailed research or other work to national standard-setters or other organisations;

We agree that the IASB must consult the Trustees and the SAC when developing its technical agenda. However, we would suggest the Trustees to take into consideration about a public consultation with wider constituency, which should be made on a regular basis.

Question 13

Trustees seek views on the proposal to make no amendment to sections 44 and 45 (renumbered as 45 and 46), which are the provisions relating to the SAC, at this time.

We think that it is premature to comment on the effectiveness of the SAC, in order to determine whether the SAC is able to accomplish its objectives as defined and whether it operates efficiently.

Question 14

The Trustees seek views on the proposal to amend section 48 by removing specific staff titles and replacing it with the term 'the senior staff management team'. Accordingly section 49 should be deleted. The Trustees also seek comment on the proposal to update the Constitution by removing all historical references that relate to when the organisation was established in 2001.

We agree with the proposed amendment.

Yours sincerely,

Angelo Casò
(OIC Chairman)