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IASC Foundation

Part 2 of the Constitution Review

Proposals for Enhanced Public Accountability

Comments to be received by 30 November 2009



International
Accounting Standards
Committee Foundation®

IASC Foundation
Part 2 of the Constitution Review

**Proposals for Enhanced Public
Accountability**
September 2009

Comments to be received by 30 November 2009

This discussion document is published by the Trustees of the International Accounting Standards Committee (IASC) Foundation to invite views on whether the Constitution should be amended. The IASC Foundation publishes this document for comment only. Comments should be submitted in writing so as to be received by **30 November 2009**.

Respondents are asked to send their comments electronically to
Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
email: toyre@iasb.org

All responses will be put on the public record unless the respondent requests confidentiality. However, such requests will not normally be granted unless supported by good reason, such as commercial confidence.

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Introduction and invitation to comment

The Trustees initiated the second part of their review of the International Accounting Standard Committee (IASC) Foundation's Constitution at their meeting in October 2008 in Beijing. In December 2008 they published a discussion document, *Review of the Constitution—Identifying Issues for Part 2 of the Review*, which posed various questions and invited general comments and proposals for change. The Trustees received sixty-eight comment letters from respondents from around the globe.

The Trustees believe that the review, in addition to fulfilling the constitutional requirement of the five-yearly constitutional review, should serve as an opportunity to enhance further the organisation's governance and the public accountability as the organisation is increasingly recognised as the global accounting standard-setter. Since its inception in 2001, the IASC Foundation has made steady progress towards its objective of developing a single set of high quality accounting standards. More than 100 countries throughout the world have adopted, are committed to adopting or are on a pathway to converging with International Financial Reporting Standards (IFRSs).

The financial crisis has only reinforced the relevance of the organisation's goal of a single set of accounting standards accepted globally. Policymakers through the G20,^{*} investors,[†] regulators[§] and companies throughout the world have underscored this point consistently since the inception of the crisis.

More than ever, with the increasing reliance on IFRSs, the Trustees recognise the need to ensure public confidence in the international standard-setting process and the governance supporting it. The Trustees continue to support the fundamental premise that accounting standards should be set, following an extensive and transparent process, by a highly professional independent International Accounting Standards Board (IASB). The IASB should be appropriately protected from particular national, sectoral or special interest pleading. At the same time, the Trustees have recognised, and continue to recognise, the need to demonstrate the organisation's public accountability and to be open to dialogue with all stakeholders.

* **G20 Public Statement, 2 April 2009:**
http://www.g20.org/Documents/g20_communique_020409.pdf

† **CFA Institute Public Statement, 7 April 2009:**
http://www.cfainstitute.org/aboutus/press/release/09releases/20090407_01.html

§ **Monitoring Board Public Statement, 8 June 2009:**
http://www.iosco.org/monitoring_board/pdf/Statement_Regarding_Due_Process_Toward_Addressing_Calls_From_G20_Leaders.pdf

As a result of the first Constitution Review, completed in June 2005, the Trustees took a number of steps to reinforce public accountability. These included steps to formalise the Trustees' oversight function more clearly and to enhance the IASB's due process to make possible improved global consultation. For example, the Trustees:

- established a framework to assess their effectiveness in carrying out their constitutional responsibilities;
- created the Due Process Oversight Committee;
- enhanced the procedures for performance reviews of the IASB and for appointments to the IASB;
- implemented regular meetings with various interested parties throughout the world;
- expanded their interaction with the IASB to discuss matters related to the organisation's strategy and performance; and
- approved enhancements to the IASB's due process, including the introduction of feedback statements and effect analysis.

Additionally, to respond to the accelerating pace of IFRS adoption globally, the Trustees initiated a broad strategy review, which was completed in 2007. That review was intended to inform the second Constitution Review, which began last year, and of which this consultation is a part. The strategy review also identified the issues of public accountability and global acceptance as the major areas of continued concern.

As a result of the first part of the Constitution Review the Trustees established a link to a Monitoring Board, an independently formed body of leading public capital market authorities. This relationship seeks to replicate on an international basis the traditional relationship in most countries between accounting standard-setters and public capital markets authorities. Whilst reaffirming the emphasis on technical expertise and practical experience of IASB members, the Trustees also provided guidance regarding the geographical spread of the IASB's membership.

The second part of the Constitution Review seeks to build on the previous actions by seeking additional advice on how further to enhance the organisation's governance. Particular themes emerged from the December 2008 consultation, as follows:

- **Enhanced IASB agenda-setting processes:** Many commentators called for the IASB to conduct a more formal agenda-setting consultation process before finalising its agenda.

PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY

- **Enhanced oversight and due process procedures:** Many commentators urged the Trustees to play a more active role in monitoring and overseeing the IASB's activities.
- **Caution regarding the use of accelerated fast-track due process:** Most commentators recognised that such a procedure may be necessary in times of crisis, but stressed that any acceleration should be extremely limited.
- **Clarification and protection of the IFRS brand:** Many commentators noted that the name of the organisation bears no reference to the global accounting standards that the IASB produces. Furthermore, commentators were concerned that the Trustees should protect the IFRS brand and ensure that it is not misused.
- **The need for a secure funding base to ensure independence:** Many commentators urged the Trustees to strengthen the independence of the IASC Foundation further by ensuring a stable and sustainable funding base in the form of government-sponsored levy systems.
- **Geographical balance among the Trustees:** Commentators urged the Trustees to recognise the need to take account of Africa and South America in their composition as had been done for the standard-setting Board.

The responses received from commentators were considered by the Trustees at their meeting in Amsterdam in July 2009. In many cases the Trustees have proposed specific changes to the Constitution, and in other cases the matters raised were more operational in nature and would not automatically result in any amendment to the Constitution. In those cases, the Trustees are taking steps to address the concerns and they explain their response in this document.

This document explains the changes in the Constitution proposed by the Trustees and the rationale for these changes. The main changes proposed are as follows:

- Change of name of the IASC Foundation to the IFRS Foundation and the IASB to the IFRS Board.
- Clarification of the objectives of the organisation.
- A clear acknowledgment of the role the Monitoring Board now plays in the governance structure of the organisation.
- Formal recognition of Africa and South America in the composition of the Trustees.
- The establishment of a procedure for an accelerated due process.

- The ability to appoint up to two vice-chairmen for both the Trustees and the IFRS Board.
- An amendment regarding the length of a possible second term of the IFRS Board members to ensure appropriate turnover.
- Enhanced IASB consultation on the standard-setting agenda with the SAC and the Trustees, with a possibility for others to comment.

This document is published to seek public comment. Comments should be submitted in writing so as to be received no later than 30 November 2009. Please send your comments to Tamara Oyre at the IASC Foundation by email (toyre@iasb.org).

In addition to the request for written comment, the Trustees will host a series of round-table meetings in September and October 2009 to seek additional advice. The round tables will provide an opportunity to meet some of the Trustees face to face to discuss the proposed constitutional changes. The round tables are to be held as follows:

London – 9 September 2009

New York – 6 October 2009

Tokyo – 21 October 2009

Further information about attendance is available on the Foundation's website – www.iasb.org.

The Trustees expect to complete the review in time to permit implementation of any changes in the first half of 2010.

Trustees' proposals for change following the December 2008 consultation

As a result of the 2007 Trustee strategy review, comments received on the December 2008 consultation document *Review of the Constitution—Identifying Issues for Part 2 of the Review* and issues raised in discussions with the IASB, the SAC and other interested parties, the Trustees identified 13 issues to be addressed. The issues in order of their appearance in the Constitution follow:

- 1 **A desire to improve the existing names of bodies within the organisation.**
- 2 **The need to clarify the objectives of the organisation in the light of global IFRS adoption.**
- 3 **A requirement to reflect the role of the Monitoring Board in the organisation's governance.**
- 4 **A desire to recognise formally the participation of Trustees from Africa and South America.**
- 5 **A desire to make provision for the appointment of up to two vice-chairmen of the Trustees.**
- 6 **An emphasis on the Trustees' oversight role and function.**
- 7 **Recognition of the desirability to engage other organisations in the standard-setting process.**
- 8 **A desire to enhance the IASB's due process.**
- 9 **Flexibility to appoint up to two vice-chairmen of the IFRS Board.**
- 10 **A desire to amend the length of IFRS Board members' terms of appointment.**
- 11 **The need to specify an accelerated due process procedure.**
- 12 **A call for greater formal input into the IFRS Board's agenda-setting process.**
- 13 **A desire to review the composition and operation of the Standards Advisory Council (SAC).**
- 14 **A desire to clarify and improve the Constitution further to reflect advances in the organisation's development.**

Each of these topics is examined below.

Confusion associated with the existing names within the IASC Foundation (section 1)

Section 1 of the Constitution provides that the name of the organisation is the International Accounting Standards Committee Foundation (abbreviated as 'IASC Foundation') and the name of the standard-setting body of the IASC Foundation is the International Accounting Standards Board (abbreviated as 'IASB'), whose structure and functions are laid out in sections 24–38. The name of the Foundation developed out of the predecessor body, IASC. The word 'Foundation' was added to enable the organisation to comply with corporation law in Delaware, USA. Therefore, the current name evolved as a matter of convenience and does not reflect that the present organisation, unlike IASC, does not produce International Accounting Standards (IASs).

The Trustees note that, for this historical reason, the name of the IASC Foundation fails to reflect the fact that the organisation's primary product is International Financial Reporting Standards (IFRSs). In response to the consultation some commentators also identified this point and suggested that the name of the organisation should be changed so that it aligns with the IFRSs that it drafts and publishes.

Therefore, the Trustees propose changing the name of the organisation from 'International Accounting Standards Committee Foundation', also known as the 'IASC Foundation', to the 'International Financial Reporting Standards Foundation', which will be abbreviated to 'IFRS Foundation'. For consistency, the Trustees propose mirroring this change of name for the 'International Accounting Standards Board', also known as the 'IASB': its name will change to the 'International Financial Reporting Standards Board', which will be abbreviated to 'IFRS Board'.

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?

Aligned to this point is the fact that some sections of the present Constitution (see sections 2(a), 6, 15(e) and 31 and Annex paragraph 3) still refer to such pronouncements as ‘accounting standards’. This is because soon after its inception in 2001 the IASB, with the Trustees’ approval, adopted the term ‘International Financial Reporting Standards (IFRSs)’ for the mandatory pronouncements it has adopted. Apart from documents entitled IFRSs the term also encompasses International Accounting Standards and Interpretations developed by the IFRIC or its predecessor body.

Given the proposed change in name of the Foundation and the Board, and given the formal name of the Board’s pronouncements, it would be logical to change such references to ‘financial reporting standards’. This would ensure clarity and remove any scope for confusion.

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?

The need to clarify the objectives of the organisation in the light of global IFRS adoption (section 2)

As part of the December 2008 consultation document the Trustees posed four questions relating to this section:

Question 1: Whether the present emphasis on helping ‘participants in the world’s capital markets and other users make economic decisions’, with consideration of ‘the special needs of small and medium-sized entities and emerging economies’ remains appropriate?

Many respondents confirmed that the overriding objective of developing in the public interest a single set of high quality global accounting standards should be maintained. However, there was disagreement about whether the emphasis on ‘participants in the world’s capital markets’ was appropriate. Most agreed that it was, but a minority of respondents, mainly from Australia and New Zealand, said that a pure focus on capital markets is not helpful for jurisdictions that have adopted sector-neutral standards when applying IFRSs.

The Trustees concluded that because of the significant work still required to fulfil the existing private sector mandate, the Constitution should not be changed in this respect. However, the Trustees will continue to encourage co-operation with the International Public Sector Accounting Standards Board and other standard-setting bodies that have such a remit.

The Trustees also received a number of comments relating to 'emerging economies' and 'small and medium-sized entities', in section 2(c). Some noted that the section, as drafted, seems to suggest that matters of concern for 'emerging economies' are not distinct from SMEs. Accordingly, the Trustees were of the view that a simple language change could provide improved clarity and therefore propose to change section 2(c) so that it reads:

- (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...

Lastly, the Trustees noted that in the interest of clarity, it would be appropriate to amend section 2(a). The Trustees propose to insert the word 'accepted' after 'globally'. This would reflect the fact that relevant public authorities must take the decision to adopt the standards if they are to become universally accepted.

Question 2: The Trustees also enquired whether the Constitution should make express reference to principle-based standards.

All commentators supported the IASB's practical emphasis on principle-based standards, but differences in opinion arose on whether this should be expressly stated in the Constitution. Consequently, commentators' responses expressed a divergence of views.

Those against it were concerned that this level of detail was not appropriate for a constitutional document; it was better placed in the Due Process Handbook. There was also concern that there is no clarity about the meaning of the term 'principle-based approach' and if that term were used in the Constitution it would require extensive explanation.

On the basis of the comments received, the Trustees propose not to include in the Constitution a specific reference to principle-based standards.

Question 3: The Trustees enquired whether the present focus on financial reporting by private sector companies should be widened to include the public and not-for-profit sector.

Commentators were nearly unanimous in their response: at the present time the IASC Foundation and the IASB should not widen their focus as that would detract from the present valuable work being undertaken. The IASB has limited resources.

The Trustees concluded that it would be unwise to extend the remit of the IASB at present for the reasons given by commentators. Furthermore, this chimed with their reasons for not extending the IASB's remit to include sector-neutral standards. Accordingly, no recommendation is made.

Question 4: The Trustees enquired whether the IASC Foundation should expressly allow for closer collaboration with a wider range of organisations whose objectives are compatible with those of the IASC Foundation.

The Trustees' discussion and proposal on this question are discussed below under the heading 'IASB's due process (section 28)'.

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.

Do you support the changes aimed at clarity?

Reflecting the role of the Monitoring Board (section 3)

The Trustees asked commentators whether the language in section 3 should be modified to reflect more accurately the creation of the Monitoring Group and its role in the organisation's governance.

Most commentators were of the view that the Constitution needed to be updated to reflect more accurately the creation of the Monitoring Board and its role and the separation of its functions from the Trustees and the IASB.

Some commentators were concerned that the Constitution should expressly provide that the Monitoring Board will safeguard the independence of the IASB and the IASC Foundation, free of jurisdictional or other bias so as ensure the maintenance of high quality accounting standards that appropriately meet the needs of users.

It was recommended that the following amendments should be reflected in the Constitution:

- The role and objectives of the Monitoring Board.
- The processes and mechanisms that ensure a reasonable degree of transparency.
- A statement of the principles that define the relationship between the Monitoring Board and the Trustees.
- The nature of reporting between the Monitoring Board and the Trustees.
- All elements of due process.

There were also some commentators who said that there should be appropriate checks and balances in place in order to ensure that the Monitoring Board would not be capable of inappropriately exerting its members' political interests.

The Trustees noted that many of the comments had been received before the commentators became aware of the changes made to the Constitution on 1 February 2009, following the conclusion of the first part of the Constitution Review. Sections 1823 describe the role and objectives of the Monitoring Board and the mechanisms to ensure transparency. Furthermore, the Trustees were of the view that the level of detail recommended by commentators is not appropriate for a constitutional document, and is better suited to a separate document, which would set out the Monitoring Board's operating procedures and any detailed mechanisms. This is set out in the Memorandum of Understanding and the Charter, both of which have been published.

To update the Constitution, the Trustees propose new language in section 3 regarding the Monitoring Board. The Trustees therefore propose to amend it by including the word ‘primarily’ in the first sentence, after ‘IASC Foundation shall’ and to insert the following sentence at the end of the first sentence: ‘A Monitoring Board (described further in sections 18–23) will provide a formal link between the Trustees and public authorities.’

Question 4

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

The governance of the ~~IASC~~ ~~IERS~~ 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.

Do you support this clarifying amendment?

Recognising the participation of Trustees from Africa and South America (section 6)

The Trustees specifically asked commentators whether the present geographical allocation of Trustees as set out in section 6 of the Constitution remained appropriate, especially given the recent changes to the geographical allocation of the IASB, which were approved as a result of the first part of the Constitution Review in February 2009.

Most commentators confirmed their support for recognising formally and guaranteeing the inclusion of Trustees from Africa and South America, particularly in the light of the recent changes to the constitutional language on the IASB’s geographical spread. It was therefore recommended that section 6 should be amended to expressly allow for representative Trustees from Africa and South America. Some also suggested the inclusion of the Caribbean and the Middle East.

Some commentators emphasised the need for flexibility to allow for growth and development.

Thus the Trustees propose amending the section to refer specifically to Trustees from Africa and South America. The Trustees also note that there has always been Trustee participation from those areas. Furthermore, the Trustees agreed to maintain flexibility by having two Trustees from any area.

The Trustees also resolved to mirror the recent amendment to the geographical allocation of IASB members in that only one Trustee will be recommended for each of the new regions.

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)(d)~~ 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?

A provision for up to two vice-chairmen of the Trustees (section 10)

Although commentators raised no specific concerns during the Constitution Review, the Trustees concluded that given the demands placed on the Chairman of the Trustees in carrying out his function, it would be appropriate to provide for the possible appointment of up to two vice-chairmen to share some of his or her obligations and functions. In order to allow for flexibility the Trustees recommend discretion to appoint up to two people. These appointments would also be subject to the approval of the Monitoring Board.

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?

Continued emphasis on effective Trustee oversight (sections 13 and 15)

The Trustees asked commentators to comment on sections 13 and 15 and more generally on the effectiveness of the Trustees' oversight functions.

Commentators replied at length to this question. There was a strong sense that the Trustees should play a greater role in assessing the IASB's effectiveness, should be more active in the agenda-setting process, and should demonstrate their review of the IASB's due process. Many commentators expressed the need for the Trustees to ensure that the IASB takes account of stakeholder input. Some thought that the duties and powers set out in sections 13 and 15 were sufficient, but expressed concern about the Trustees' effectiveness in discharging them.

It was pointed out that the Constitution is silent on evaluating the performance of the organisation and it would therefore be useful for the Trustees to articulate in more detail how they will assess the effectiveness of the IASB. Related to this was the suggested need for an element of external independence in the due process procedures.

As a result of the first Constitution Review, completed in June 2005, the Trustees took steps to reinforce public accountability. These included steps to formalise the Trustees' oversight function more clearly and to enhance the IASB's due process to enable improved global consultation. For example, the Trustees:

- established a framework to assess their effectiveness in carrying out their constitutional responsibilities.
- created the Due Process Oversight Committee.
- enhanced the procedures for performance reviews of the IASB and for appointments to the IASB.
- instituted regular meetings with interested parties throughout the world.
- expanded their interaction with the IASB to discuss the organisation's strategy and performance.
- approved enhancements to the IASB's due process, including the introduction of feedback statements and effect analyses.

Those steps are the basis for further enhancements in the oversight process. Most of the matters identified and raised by respondents will continue to remain priorities for the Trustees, but do not require constitutional changes to be effectively addressed and carried out. Indeed the Constitution already provides the Trustees with powers to ensure that their oversight functions are carried out effectively.

In addition, the Trustees have extended their public reporting mechanisms to provide greater public accountability. In 2008, the organisation's annual report included a separate report by the Due Process Oversight Committee. This was augmented by additional material on the organisation's website. The Trustees have also recently agreed that the Due Process Oversight Committee is to be given a separate section on the Foundation's website to facilitate enhanced reporting.

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.

**Expanding the IASB's liaison with other organisations
(section 28)**

The Trustees asked commentators whether the IASC Foundation should expressly allow the IASB to collaborate more closely with a wider range of organisations whose objectives are compatible with the IASC Foundation's objectives.

Most respondents confirmed the need for the IASC Foundation to collaborate with and consult widely organisations with interests similar to those of the IASC Foundation, since this enhances legitimacy of international accounting standards.

Some recommended close collaboration with specific organisations whilst others took a more pragmatic approach and recommended a general enabling provision without specific reference to a list of organisations. Notwithstanding this point, some who urged flexible and open-ended wording said that it would be appropriate to make specific reference to establishing a closer relationship with the IPSASB.

The Trustees agree that there is merit in the IASB consulting a broad range of bodies or organisations with an interest in standard-setting. Such consultation should be both formal and informal and be at the discretion of the IASB. This would aid in ensuring that IFRSs are globally accepted. Accordingly, the Trustees recommend amending section 28 to provide more flexibility in the Constitution to acknowledge the benefits of such co-ordination.

The Trustees invite views on the proposal to amend section 28 of the Constitution 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 IFRSs.

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~~ standard-setting in order to ~~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?

The possibility of two Vice-Chairmen for the IFRS Board (section 30)

Like the argument for appointing Vice-Chairmen of the Trustees, the Trustees support providing flexibility to appoint up to two Vice-Chairmen of the IFRS Board, to provide continuity and assistance to the Chairman.

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 ~~IASB~~ 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.

The length of IFRS Board members' terms (section 31)

A number of commentators, either as part of this review or previously, have urged that the IASB should include people with recent practical experience with IFRSs and related accounting matters. Many have questioned whether that can be achieved if all the IASB members are given two five-year terms as is permitted by the Constitution.

Others have acknowledged that there is a need for some continuity on the IFRS Board and sufficient time for Board members to become acquainted with the standard-setting process. Furthermore, terms should not be so short that they might impair the Board member's independence.

The Trustees therefore propose that for all appointments made after 2 July 2009, the Board members will be appointed for an initial term of five years. Terms will be renewable once for a further term of three years, with the exception of the Chairman or a Vice-Chairman, who may serve for a second term of five years for continuity purposes. The Chairman and Vice-Chairman may serve for only a maximum of ten years.

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?

Accelerated due process (section 37(c))

The Trustees asked a question on whether it would be appropriate to introduce a 'fast-track' due process in exceptional circumstances. After reviewing respondents' comments, and consulting the IASB and the SAC, the Trustees concluded that if there is to be an accelerated due process in emergency situations, provision is required in the Constitution.

The Trustees and the IASB noted that there is already an accelerated procedure that allows for the IASB to have a shorter period of consultation, if required, of 30 days.

At the suggestion of the Due Process Oversight Committee and the Standards Advisory Council (SAC), the Trustees have agreed that there is no need to include a specific amendment or new provision to permit a shorter due process. However, it might be helpful to include a provision that the Trustees have the authority to agree to amend due process in exceptional circumstances, where good cause is shown. This section is the most appropriate section for such an additional clause.

The Trustees believe that there should always be some form of public consultation. At the same time, the present provisions allowing a 30 day accelerated process are generally sufficient. However, in exceptional circumstances, the Trustees, who can alter the Constitution, could allow a shorter period of consultation. These exceptional occasions would be when major unforeseen developments arise.

The Trustees' preliminary view is that section 37(c) should be altered to allow a shorter period of consultation only after a formal request by the IASB. The Trustees' decision should be made at a public meeting.

Some respondents raised concerns about changes to IFRSs that are to have retrospective effect. Those in Australia and New Zealand in particular noted that it is not possible by law to introduce legislative changes with retrospective effect. The Trustees noted these comments, but concluded that there was no necessity to change the Constitution. The IASB would attempt to take appropriate account of this concern.

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.

Encouraging greater input into the IASB's agenda-setting process (section 37(d))

The Constitution gives the IASB 'full discretion in developing and pursuing its technical agenda'. The Trustees have regularly reaffirmed that position as an essential element of preserving the independence of the standard-setting process. However, the Trustees are aware that the question of agenda-setting touches not only upon the issues of independence but also accountability. In order for IFRSs to be accepted globally it is fundamental that the IASB is accountable to its stakeholders. This is borne out by the fact that the IASB's agenda-setting process has always attracted attention from commentators. It was for this reason that the Trustees sought comments on this topic during the second part of the Constitution Review.

Almost all commentators reaffirmed the need for the IASB to maintain its independence to set IFRSs without interference, if it is to be capable of setting high quality international accounting standards.

The comment process on the Constitution Review discussion document revealed concerns regarding the substance of the IASB's agenda and also the process of agenda-setting. For the purposes of the Constitutional Review, the focus should be on the process, but the organisation should pay attention to the substantive concerns as possible symptoms of perceived problems.

Many commentators raised issues related to the relevance of the IASB's existing work and the emphasis placed on its convergence work.

Respondents differentiated between the process of setting the agenda and the process of writing the standards. Many thought that the IASB's independence would be enhanced and receive greater legitimacy if the agenda-setting process became more transparent and the IASB became more accountable, including providing explanations and justifications for the priorities in its agenda. The Trustees were therefore urged to make appropriate changes to the Constitution, whilst preserving the IASB's independence in making decisions. In addition, the Trustees were urged to satisfy themselves that the agenda reflects the public interest.

In suggesting approaches to the issue, some have argued for the IASB to have public consultations on its agenda and priorities on an annual basis or when new issues arise in addition to the current formal process already utilised. On the other hand, adding additional formal consultation steps might risk the ability to respond to issues in a timely manner and be viewed as bureaucratic.

Others have suggested that the SAC could play a role in helping the Trustees evaluate the IASB's performance regarding its agenda-setting and priorities. Of course, there would be a need to establish appropriate criteria. The Constitution gives the SAC a constitutional responsibility for 'giving advice to the IASB on agenda decisions and priorities in the IASB's work.'

Some, mainly from outside Europe, urged the Trustees not to interfere with the agenda-setting process or the IASB's independence.

The Trustees noted the concerns that had been raised. They believe that together with sections 12 and 16, the Constitution provides Trustees with most of the powers required:

- to assess the IASB's effectiveness and compliance with due process;
- to oversee the IASB's agenda; and
- to ensure that the IASB responds adequately to stakeholder input.

After considering current practice and the concerns expressed, the Trustees propose to amend section 38(d). They reaffirm that the IFRS Board must have the ability to determine its own agenda. At the same time, it is proposed that the section should be amended to expressly provide that the Board must consult the Trustees and the Standards Advisory Council (SAC) when developing its technical agenda. Furthermore, the IFRS Board will make its SAC papers available to the public in advance of SAC meetings and will thereby provide a mechanism for

public input on the Board's agenda and priorities. This will not preclude the Board from consulting other relevant stakeholders more widely. In addition, the Trustees recommend an enhancement to the Due Process Handbook to reflect these constitutional amendments.

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;

**Review of the Standards Advisory Council (SAC)
(sections 44 and 45)**

The Trustees sought views on the effectiveness of the SAC, its current procedures, composition (number and professional background) of members and the SAC's terms of reference. Given that the SAC's effectiveness has been repeatedly raised by commentators the Trustees wished to determine whether the SAC is able to accomplish its objectives as defined and whether it operates efficiently.

Furthermore, the Trustees sought further feedback after they had recently reconstituted the SAC (in January 2009) to take account of past comments.

Many commentators commended the IASC Foundation for strengthening and improving this valuable stakeholder consultation forum. The investor community expressed its appreciation of the creation of an investor sub-group in the SAC to allow for better engagement with them.

On the whole, most commentators acknowledged that the terms of reference and professional background requirements for the SAC were acceptable and achieved the SAC's objectives and that it was appropriate for the Trustees to continue to monitor and review the SAC's effectiveness.

Many noted that it was premature to comment on the effectiveness of the SAC. However, a few (without experience of the new body) thought that the SAC was not functioning as intended and that, as a consequence, a large number of professional accountants and practitioners should be added to the its membership.

Some European commentators tied their concerns with the governance and due process of the organisation to the role of the SAC, and suggested that the SAC should play a greater role in the governance of the organisation.

Some said that for the SAC to remain efficient it should have no more than 30 members. As currently constituted the SAC was too large and met too infrequently.

The Trustees appreciate the concerns expressed and to a great extent attempted to address them by reconstituting the SAC in January 2009. The new SAC includes an independent Chairman and two Vice-Chairmen with different geographical and professional backgrounds. The membership reflects major stakeholder groups throughout the world; and SAC members are meant to liaise with these groups in advance and after meetings. Additional staff resources have been provided to the SAC. The meeting agendas and papers are focused to ensure more effective guidance to the IASB and the Trustees.

The Trustees have concluded that it would be premature to make significant constitutional changes to the SAC. The operation of the SAC and its effectiveness in achieving its objectives will be carefully monitored to ensure that it remains relevant and valuable. It may therefore be necessary to revisit the role and effectiveness of the SAC in the next Constitution Review.

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.

Further clarifying amendments and improvements (sections 48 and 49 and elsewhere)

Although commentators raised no concerns relating to these sections, the Trustees believe that a constitutional document should be sufficiently flexible to withstand the test of time.

Organisations develop organically in accordance with internal and external demands. Accordingly, the Trustees propose amending section 47 by removing all references to specific staff titles and replacing it with a more generic reference to ‘the senior staff management team’ of the organisation. The appointment of ‘the senior staff management team’ is still to be carried out in consultation with the Trustees.

Accordingly the Trustees propose deleting section 49 as it is covered by the amendment to section 48.

Beyond the above-mentioned change, the Trustees agreed to update the Constitution by removing all historical references that related to the operating procedures when the organisation was formed in 2001, but are no longer applicable. Thus, for example, section 17 is to be amended to remove the reference to when the first Constitution Review would begin. Those proposed changes have not been highlighted in this section of the document as they are not substantive in nature and are no longer relevant. They are, however, clearly marked up in the following section, *Annotated Constitution showing proposed changes*. Nevertheless, the Trustees would welcome any comments on these matters.

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.

Annotated Constitution showing proposed changes

International Financial Reporting Accounting Standards Committee Foundation Revised Constitution February 2009	
Section of the Constitution reflecting the proposed changes	Comment
Part A Name and objectives 1 The name of the organisation shall be the International Accounting Financial Reporting Standards Committee Foundation (abbreviated as IFRS Foundation, formerly known as the 'IASC Foundation'). The International Accounting Financial Reporting Standards Board (abbreviated as the IFRS Board, formerly known as the International Accounting Standards Board or 'IASB'), whose structure and functions are laid out in Sections 24–38, shall be the standard-setting body of the IASB IFRS Foundation.	The name of the organisation is to be changed to the International Financial Reporting Standards Foundation, abbreviated to 'IFRS Foundation'. The name of the standard-setting body is to be amended to mirror the name of the organisation—the International Financial Reporting Standards Board, abbreviated to 'IFRS Board'.
2 The objectives of the IASB 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.	Amendments to reflect that: • The objective is to have the standards globally accepted; and • clarification that emerging economies and small and medium-sized entities are separate from each other, but equally important.

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Governance of the IASC IFRS Foundation 3 The governance of the IASC IFRS Foundation shall <u>primarily</u> rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. <u>A Monitoring Board (described further in sections 18-23) shall provide a formal link between the Trustees and public authorities.</u> The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they are empowered to <u>may</u> make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of all the Trustees.	Change to make direct reference to the governance function of the Monitoring Board, as provided for in sections 18-23.
Trustees 4 The Trustees shall comprise twenty-two individuals.	No change recommended.
5 The Monitoring Board (described further in Sections 18-23) shall be responsible for the approval of all Trustee appointments and reappointments. In approving such selection, the Monitoring Board shall be bound by the criteria set out in Sections 6 and 7. The Trustees and the Monitoring Board shall agree a nomination process that will entitle the Monitoring Board to recommend candidates and provide other help input. In administering the nomination process and putting forward nominations to the Monitoring Board for approval, the Trustees shall consult the international organisations as set out in Section 7.	No substantive change recommended.

6 All Trustees shall be required to show a firm commitment to the IFRS <u>IASB</u> Foundation and the IFRS Board <u>IASB</u> 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 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 <u>one</u> Trustee appointed from Africa; (e) one <u>one</u> Trustee appointed from South America; and (f) two <u>four</u> Trustees appointed from any area, subject to <u>maintaining</u> establishing overall geographical balance.	Change to reflect that one Trustee each from Africa and South America is to be appointed. This is similar to the changes made to the IASB in the first part of the review.
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PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY

7	The Trustees shall comprise individuals that as a group provide an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the public interest. Normally, two of the Trustees shall be senior partners of prominent international accounting firms. To achieve such a balance, Trustees should be selected after consultation with national and international organisations of auditors (including the International Federation of Accountants), preparers, users and academics. The Trustees shall establish procedures for inviting suggestions for appointments from these relevant organisations and for allowing individuals to put forward their own names, including advertising vacant positions.	No substantive change recommended.
8	Trustees shall normally be appointed for a term of three years, renewable once, in order to provide continuity, some of the initial Trustees will serve staggered terms so as to retire after four or five years.	Amendment to remove sections that were applicable when the Foundation was established but are no longer relevant
9	Subject to the voting requirements in Section 14, the Trustees may terminate the appointment of an individual as a Trustee on grounds of poor performance, misbehaviour or incapacity.	No substantive change recommended.
10	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 .	Proposed amendment to allow for flexibility to appoint up to two vice chairmen to the Board of Trustees. The purpose is to assist the chairman in his functions and duties.
11	The Trustees shall meet at least twice each year and shall be remunerated by the IASC IFRS Foundation with an annual fee and a per-meeting fee, commensurate with the responsibilities assumed, such fees to be determined by the Trustees. Expenses of travel on IASC IFRS Foundation business shall be met by the IASC IFRS Foundation.	No substantive change recommended.

12 In addition to the powers and duties set out in Section 13, the Trustees may make such operational commitments and other arrangements as they deem necessary to achieve the organisation's objectives, including, but without limitation, leasing premises and agreeing contracts of employment with IASB IFRS Board members.	No substantive change recommended.
13 The Trustees shall: (a) assume responsibility for establishing and maintaining appropriate financing arrangements; (b) establish or amend operating procedures for the Trustees; (c) determine the legal entity under which the IASB IFRS Foundation shall operate, provided always that such legal entity shall be a Foundation or other body corporate conferring limited liability on its members and that the legal documents establishing such legal entity shall incorporate provisions to achieve the same requirements as the provisions contained in this Constitution; (d) review in due course the location of the IASB IFRS Foundation, both as regards its legal base and its operating location; (e) investigate the possibility of seeking charitable or similar status for the IASB IFRS Foundation in those countries where such status would assist fundraising; (f) open their meetings to the public but may, at their discretion, hold certain discussions (normally only about selection, appointment and other personnel issues, and funding) in private; and (g) publish an annual report on the IASB IFRS Foundation's activities, including audited financial statements and priorities for the coming year.	No substantive change recommended.

PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY

14 There shall be a quorum for meetings of the Trustees if 60 per cent of the Trustees are present in person or by telecommunications: Trustees shall not be represented by alternates. Each Trustee shall have one vote, and a simple majority of those voting shall be required to take decisions on matters other than termination of the appointment of a Trustee, amendments to the Constitution, or minor variations made in the interest of feasibility of operations, in which cases a 75 per cent majority of all Trustees shall be required. § Voting by proxy shall not be permitted on any issue. In the event of a tied vote, the Chairman shall have an additional casting vote.	No substantive change recommended.
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Part B Trustees 15 In addition to the duties set out in Part A, the Trustees shall: (a) appoint the members of the IASB <u>IFRS Board</u> and establish their contracts of service and performance criteria; (b) appoint the members of the International Financial Reporting Interpretations Committee (<u>IFRIC</u>) and the Standards Advisory Council (<u>SAC</u>); (c) review annually the strategy of the IASG IFRS Foundation and the IASB <u>IFRS Board</u> and its effectiveness, including consideration, but not determination, of the IASB's <u>IFRS Board's</u> agenda; (d) approve annually the budget of the IASG IFRS Foundation and determine the basis for funding; (e) review broad strategic issues affecting accounting financial reporting standards, promote the IASG IFRS Foundation and its work and promote the objective of rigorous application of International Accounting Standards and International Financial Reporting Standards <u>IFRSs</u>, provided that the Trustees shall be excluded from involvement in technical matters relating to accounting financial reporting standards; (f) establish and amend operating procedures, consultative arrangements and due process for the IASB IFRS Board, the International Financial Reporting Interpretations Committee <u>IFRIC</u> and the Standards Advisory Council <u>SAC</u>;	No substantive change recommended.
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PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY

(g) review compliance with the operating procedures, consultative arrangements and due process as described in (f); (h) approve amendments to this Constitution after following a due process, including consultation with the Standards Advisory Council SAC and publication of an exposure draft for public comment and subject to the voting requirements given in Section 14; (i) exercise all powers of the IASC IFRS Foundation except for those expressly reserved to the IASB IFRS Board, the International Financial Reporting Interpretations Committee IFRIC and the Standards Advisory Council SAC; and (j) foster and review the development of educational programmes and materials that are consistent with the IASC IFRS Foundation's objectives.	
16 The Trustees may terminate the appointment of a member of the IASB IFRS Board, the International Financial Reporting Interpretations Committee IFRIC or the Standards Advisory Council SAC, on grounds of poor performance, misbehaviour, incapacity or other failure to comply with contractual requirements, and the Trustees shall develop procedures for such termination.	No substantive change recommended.

17 The accountability of the Trustees shall be ensured <i>inter alia</i> through: (a) commitment made by each Trustee to act in the public interest; (b) their commitment to report to and engage with the Monitoring Board according to the terms described in Sections 18-23; (c) their undertaking a review of the entire structure of the IASC <u>IFRS</u> Foundation and its effectiveness, such review to include consideration of changing the geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment, the review commencing three years after the coming into force of this Constitution, with the objective of implementing any agreed changes five years after the coming into force of this Constitution (6 February 2006, five years after the date of the incorporation of the IASC Foundation); and (d) their undertaking a similar review subsequently every five years.	Removed outdated information applicable to when the organisation was formed in 2001.
The Monitoring Board 18 A Monitoring Board will provide a formal link between the Trustees and public authorities. This relationship seeks to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters. A Memorandum of Understanding will be agreed between the Monitoring Board and the Trustees describing the interaction of the Monitoring Board with the Trustees. This Memorandum of Understanding will be made available to the public.	No substantive change recommended. New section. Changes recently been made following the first part of the Constitution Review.

PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY

19 The responsibilities of the Monitoring Board shall be: (a) to participate in the process for appointing Trustees and to approve the appointment of Trustees according to the guidelines in Sections 5–8. (b) to review and provide advice to the Trustees on their fulfilment of the responsibilities set out in Sections 13 and 15. The Trustees shall make an annual written report to the Monitoring Board. (c) to meet the Trustees or a subgroup of the Trustees at least once annually, and more frequently as appropriate. The Monitoring Board shall have the authority to request meetings with the Trustees or separately with the Chairman of the Trustees (with the Chairman of the IASB IFRS Board as appropriate) about any area of work of either the Trustees or the IASB IFRS Board. These meetings may include discussion of, and any proposed resolution by the IASB IFRS Foundation or the IASB IFRS Board, proposed resolution of issues that the Monitoring Board has referred for timely consideration by the IASB IFRS Foundation or the IASB IFRS Board.	No substantive change recommended. New section. Changes recently been made following the first part of the Constitution Review.
20 The Monitoring Board shall develop a charter that sets out its organisational, operating and decision-making procedures. The charter shall be made public.	No substantive change recommended. New section. Changes recently been made following the first part of the Constitution Review.

21 Initially, the Monitoring Board shall comprise: (a) the responsible member of the European Commission; (b) [the chair of the IOSCO Emerging Markets Committee]; (c) the chair of the IOSCO Technical Committee (or vice-chair or designated securities commission chair in cases where either the chairman of an EU securities regulator, commissioner of the Japan Financial Services Agency or chairman of the US Securities and Exchange Commission is the chair of the IOSCO Technical Committee); (d) the commissioner of the Japan Financial Services Agency; (e) the chairman of the US Securities and Exchange Commission; and (f) as an observer, the chairman of the Basel Committee on Banking Supervision.	No substantive change recommended. New section. Changes recently been made following the first part of the Constitution Review.
22 The Monitoring Board shall reconsider its composition from time to time relative to its objectives.	No substantive change recommended. New section. Changes recently been made following the first part of the Constitution Review.
23 The Monitoring Board shall reach decisions to approve the appointment of Trustees and establish any common positions by consensus.	No substantive change recommended. New section. Changes recently been made following the first part of the Constitution Review.

PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY

<u>IASB IFRS Board</u> 24 The <u>IASB IFRS Board</u> shall comprise fourteen members, increasing to sixteen members at a date no later than 1 July 2012. The members of the <u>IASB IFRS Board</u> are appointed by the Trustees under §section 15(a). Up to three members may be part-time members (the expression ‘part-time’ meaning that the members concerned commit most of their time in paid employment to the <u>IASB IFRS Foundation</u>) and shall meet appropriate guidelines of independence established by the Trustees. The remaining members shall be full-time members (the expression ‘full-time’ meaning that the members concerned commit all of their time in paid employment to the <u>IASB IFRS Foundation</u>). The work of the <u>IASB IFRS Board</u> shall not be invalidated by its failure at any time to have a full complement of members, although the Trustees shall use their best endeavours to achieve a full complement.	No substantive change recommended. New section. Changes recently been made following the first part of the Constitution Review.
25 The main qualifications for membership of the <u>IASB IFRS Board</u> shall be professional competence and practical experience. The Trustees shall select members of the <u>IASB IFRS Board</u>, consistently with the Criteria for <u>IASB IFRS Board</u> Mmembers set out in the Annex to the Constitution, so that it will comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in order to contribute to the development of high quality, global accounting <u>financial reporting</u> standards. The members of the <u>IASB IFRS Board</u> shall be required to commit themselves formally to acting in the public interest in all matters. No individual shall be both a Trustee and an <u>IASB IFRS Board</u> member at the same time.	No substantive change recommended.

26 In a manner consistent with the Criteria for IASB IFRS Board <u>Members</u> as set out in the Annex to the Constitution and in order to ensure a broad international basis, there shall normally be, by 1 July 2012: (a) four members from the Asia/Oceania region; (b) four members from Europe; (c) four members from North America; (d) one member from Africa; (e) one member from South America; and (f) two members appointed from any area, subject to maintaining overall geographical balance. The work of the IASB IFRS Board shall not be invalidated by its failure at any time to have a full complement of members according to the above geographical allocation, although the Trustees shall use their best endeavours to achieve the geographical allocation.	No substantive change recommended. Changes recently been made following the first part of the Constitution Review.
27 The Trustees shall select IASB IFRS Board <u>members</u> so that the IASB IFRS Board as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics.	No substantive change recommended.
28 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 <u>an interest in</u> standard-setting in order to 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.	Amended to reflect the IASB's obligation to consult more widely.

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29 Each full-time and part-time member of the IASB IFRS Board shall agree contractually to act in the public interest and to have regard to the IASB IFRS Board's Framework (as amended from time to time) in deciding on and revising standards.	No substantive change recommended.
30 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 IASB 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.	The section is being changed to provide for flexibility to appoint up to two Vice Chairmen to assist the Chairman in his functions.
31 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.	Change to reflect the new terms of appointment for IFRS Board members. The change has been proposed to ensure that the IFRS Board members remain current and up to date and bring practical experience and knowledge to the work of the IFRS Board.

321 The Trustees shall develop rules and procedures to ensure that the <u>IASB IFRS Board</u> is, and is seen to be, independent, and, in particular, on appointment, full-time members of the <u>IASB IFRS Board</u> shall sever all employment relationships with current employers and shall not hold any position giving rise to economic incentives which might call into question their independence of judgement in setting <u>accounting financial reporting</u> standards. Secondments and any rights to return to an employer would therefore not be permitted. Part-time members of the <u>IASB IFRS Board</u> would not be expected to sever all other employment arrangements.	This was originally part of section 31, but because the new sections added to the original, it became necessary to divide the section into two. Notwithstanding that this is a new section, there is no substantive change that has been recommended.
332 The terms of appointment of members of the <u>IASB IFRS Board</u> shall be staggered so that not all members retire at once. To accomplish this, the Trustees shall consider initial terms of three years for some members, four years for others and a full five years for the remaining initial members.	Amended to remove procedures that are no longer relevant or appropriate.
343 Full-time and part-time members of the <u>IASB IFRS Board</u> shall be remunerated at rates commensurate with the respective responsibilities assumed: such rates shall be determined by the Trustees. Expenses of travel on <u>IASB IFRS Board</u> business shall be met by the <u>IASC IFRS</u> Foundation.	No substantive change recommended.
354 The <u>IASB IFRS Board</u> shall meet at such times and locations as it determines: meetings of the <u>IASB IFRS Board</u> shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the discretion of the <u>IASB IFRS Board</u>.	No substantive change recommended.

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365 Each member of the <u>IASB IFRS Board</u> shall have one vote. On both technical and other matters, proxy voting shall not be permitted nor shall members of the <u>IASB IFRS Board</u> be entitled to appoint alternates to attend meetings. In the event of a tied vote, on a decision that is to be made by a simple majority of the members of the <u>IASB IFRS Board</u> present at a meeting in person or by telecommunications, the Chairman shall have an additional casting vote.	No substantive change recommended.
376 The publication of an exposure draft, or an International Financial Reporting Standard (including an International Accounting Standard or an Interpretation of the International Financial Reporting Interpretations Committee) <u>IFRS</u> shall require approval by nine members of the <u>IASB IFRS Board</u>, if there are fewer than 16 members, or by ten members if there are 16 members. Other decisions of the <u>IASB IFRS Board</u>, including the publication of a discussion paper, shall require a simple majority of the members of the <u>IASB IFRS Board</u> present at a meeting that is attended by at least 60 per cent of the members of the <u>IASB IFRS Board</u>, in person or by telecommunications.	No substantive change recommended.

387 The IASB IFRS Board shall: (a) have complete responsibility for all <u>IASB IFRS Board</u> technical matters including the preparation and issuing of <u>International Accounting Standards, International Financial Reporting Standards IFRSs</u> and exposure drafts, each of which shall include any dissenting opinions, and <u>final the approval and issuing of Interpretations developed by the International Financial Reporting Interpretations Committee IFRIC</u>; (b) publish an exposure draft on all projects and normally publish a discussion document for public comment on major projects <u>for a period consistent with procedures approved by the Trustees</u>; (c) <u>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</u>; (e)(d) have full discretion in developing and pursuing the technical agenda of the <u>IASB IFRS Board, after consulting the Trustees (consistently with section 15(c)) and the SAC (consistently with section 44(a))</u>, and over project assignments on technical matters: in organising the conduct of its work, the <u>IASB IFRS Board</u> may outsource detailed research or other work to national standard-setters or other organisations; (d)(i)(c) establish procedures for reviewing comments made within a reasonable period on documents published for comment;	Amended to allow the Trustees to authorise a fast track due process in exceptional circumstances. Consultation shall never be dispensed with.
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(d)(ii)(f) normally form working groups or other types of specialist advisory groups to give advice on major projects; (d)(iii)(g) consult the Standards Advisory Council SAC on major projects, agenda decisions and work priorities; and (d)(iv)(h) normally issue bases <u>publish a basis</u> for conclusions with International Accounting Standards, International Financial Reporting Standards, and an IFRS or an exposure drafts; (e)(i) consider holding public hearings to discuss proposed standards, although there is no requirement to hold public hearings for every project; (f)(j) consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project; and (g)(k) give reasons if it does not follow any of the non-mandatory procedures set out in (b), (d)(iii)(f), d(iv)(h), (e)(i) and (f)(j).	
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398 The authoritative text of any exposure draft, or International Accounting Standard or International Financial Reporting Standard or draft or final Interpretation or IFRS shall be that published by the IASB IFRS Board in the English language. The IASB IFRS Board may publish authorised translations or give authority to others to publish translations of the authoritative text of exposure drafts, and International Accounting Standards and International Financial Reporting Standards and draft and final Interpretations and IFRSs.	No substantive change recommended.
International Financial Reporting Interpretations Committee (IFRIC) 4039 The International Financial Reporting Interpretations Committee IFRIC shall comprise fourteen voting members, appointed by the Trustees under Ssection 15(b) for renewable terms of three years. The Trustees shall select members of the Committee IFRIC so that it comprises a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in the practical application of International Financial Reporting Standards (IFRSs) and analysis of financial statements prepared in accordance with IFRSs. Expenses of travel on Committee IFRIC business shall be met by the IASB IFRS Foundation.	No substantive change recommended.

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410 The Trustees shall appoint a member of the IASB IFRS Board, the Director of Technical Activities or another senior member of the IASB IFRS Board staff, or another appropriately qualified individual, to chair the Committee IFRIC. The Chairman has the right to speak to the technical issues being considered but not to vote. The Trustees, as they deem necessary, shall appoint as non-voting observers representatives of regulatory organisations, who shall have the right to attend and speak at meetings.	No substantive change recommended.
421 The Committee IFRIC shall meet as and when required and ten voting members present in person or by telecommunications shall constitute a quorum: one or two IASB IFRS Board members shall be designated by the IASB IFRS Board and shall attend meetings as non-voting observers; other members of the IASB IFRS Board may attend and speak at the meetings. On exceptional occasions, members of the Committee IFRIC may be allowed to send non-voting alternates, at the discretion of the Chairman of the Committee IFRIC. Members wishing to nominate an alternate should seek the consent of the Chairman in advance of the meeting concerned. Meetings of the Committee IFRIC shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the Committee IFRIC's discretion.	No substantive change recommended.

432 Each member of the Committee IFRIC shall have one vote. Members vote in accordance with their own independent views, not as representatives voting according to the views of any firm, organisation or constituency with which they may be associated. Proxy voting shall not be permitted. Approval of draft or final Interpretations shall require that not more than four voting members vote against the draft or final Interpretation.	No substantive change recommended.
443 The Committee IFRIC shall: (a) interpret the application of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and provide timely guidance on financial reporting issues not specifically addressed in IASs and IFRSs, in the context of the IASB IFRS Board's Framework, and undertake other tasks at the request of the IASB IFRS Board; (b) in carrying out its work under (a) above, have regard to the IASB IFRS Board's objective of working actively with national standard-setters to bring about convergence of national accounting standards and IASs and IFRSs to high quality solutions; (c) publish after clearance by the IASB IFRS Board draft Interpretations for public comment and consider comments made within a reasonable period before finalising an Interpretation; and (d) report to the IASB IFRS Board and obtain the approval of nine of its members for final Interpretations if there are fewer than 16 members, or by ten of its members if there are 16 members.	No substantive change recommended.

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Standards Advisory Council (SAC) 454 The Standards Advisory Council SAC, whose members shall be appointed by the Trustees under Section 15(b), provides a forum for participation by organisations and individuals, with an interest in international financial reporting, having diverse geographical and functional backgrounds, with the objective of: (a) giving advice to the IASB IFRS Board on agenda decisions and priorities in the IASB IFRS Board's work, (b) informing the IASB IFRS Board of the views of the organisations and individuals on the Council SAC on major standard-setting projects and (c) giving other advice to the IASB IFRS Board or the Trustees.	No substantive change recommended.
465 The Council SAC shall comprise thirty or more members, having a diversity of geographical and professional backgrounds, appointed for renewable terms of three years. The Chairman of the Council SAC shall be appointed by the Trustees, and shall not be a member of the IASB IFRS Board or a member of its staff. The Trustees shall invite the Chairman of the Council SAC to attend and participate in the Trustees' meetings, as appropriate.	No substantive change recommended.
476 The Council SAC shall normally meet at least three times a year. Meetings shall be open to the public. The Council SAC shall be consulted by the IASB IFRS Board in advance of IASB IFRS Board decisions on major projects and by the Trustees in advance of any proposed changes to this Constitution.	No substantive change recommended.

Chief Executive and staff	
487 As provided under §section 3024, the Chairman of the IASB IFRS Board shall also be the Chief Executive of the IASC IFRS Foundation, and shall be subject to supervision by the Trustees.	No substantive change recommended.
498 The Chief Executive shall be responsible for establishing the senior staff management team staffing of the IASB IFRS Foundation, which shall include a Director of Technical Activities appointed by the Chief Executive in consultation with the Trustees; the Director of Technical Activities, while not a member of the IASB, shall be entitled to participate in the debate but not to vote at meetings of the IASB and the International Financial Reporting Interpretations Committee.	Amended to allow the Trustees greater flexibility in appointing senior staff without being limited by the express terms of the Constitution. This accords with the Trustees' requirement to arrange their affairs in such a manner as is consistent with effective management and running of the organisation.
49 A Director of Operations and a Commercial Director shall also be appointed by the Chief Executive in consultation with the Trustees. They shall have responsibility for publications and copyright, communications, administration, and finance under the supervision of the Chief Executive and for fundraising under the supervision of the Trustees.	Removed to allow for greater flexibility. This accords with the changes made to the previous section – new section 49.

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Administration		
50	The administrative office of the IASC <u>IFRS</u> Foundation shall be located in such location as may be determined by the Trustees in accordance with § section 13(d).	No substantive change recommended.
51	The IASC <u>IFRS</u> Foundation shall be a legal entity as determined by the Trustees and shall be governed by this Constitution and by any laws which apply to such legal entity, including, if appropriate, laws applicable because of the location of its registered office.	No substantive change recommended.
52	The IASC <u>IFRS</u> Foundation shall be bound by the signature(s) of such person or persons as may be duly authorised by the Trustees.	No substantive change recommended.

Annex

International Accounting Financial Reporting Standards Committee Foundation Criteria for IASB IFRS Board Members	
The following would represent criteria for IASB IFRS Board membership: Demonstrated Technical Competency and Knowledge of Financial Accounting and Reporting. All members of the IASB IFRS Board, regardless of whether they are from the accounting profession, preparers, users, or academics, should have demonstrated a high level of knowledge and technical competency in financial accounting and reporting. The credibility of the IASB IFRS Board and its individual members and the effectiveness and efficiency of the organisation will be enhanced with members who have such knowledge and skills.	Changes made to reflect the proposed change of name of the organisation and the associated proposed name change of the Board.
Ability to Analyse. IASB IFRS Board members should have demonstrated the ability to analyse issues and consider the implications of that analysis for the decision-making process.	Changes made to reflect the proposed change of name of the organisation and the associated proposed name change of the Board.
Communication Skills. Effective oral and written communication skills are necessary. These skills include the ability to communicate effectively in private meetings with IASB IFRS Board members, in public meetings, and in written materials such as accounting financial reporting standards, speeches, articles, memos and external correspondence with constituents. Communication skills also include the ability to listen to and consider the views of others. While a working knowledge of English is necessary, there should not be discrimination in selection against those for whom English is not their first language.	Changes made to reflect the proposed change of name of the organisation and the associated proposed name change of the Board.
Judicious Decision-making. IASB IFRS Board members should be capable of considering varied viewpoints, weighing the evidence presented in an impartial fashion, and reaching well-reasoned and supportable decisions in a timely fashion.	Changes made to reflect the proposed change of name of the organisation and the associated proposed name change of the Board.

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Awareness of the Financial Reporting Environment. High quality financial reporting will be affected by the financial, business and economic environment. IASB IFRS Board members should have an understanding of the global economic environment in which the IASB IFRS Board operates. This global awareness should include awareness of business and financial reporting issues that are relevant to, and affect the quality of, transparent financial reporting and disclosure in the various capital markets worldwide, including those using International Financial Reporting Standards IFRSs.	Changes made to reflect the proposed change of name of the organisation and the associated proposed name change of the Board.
Ability to Work in a Collegial Atmosphere. Members should be able to show respect, tact and consideration for one another's and constituents' views and those of third parties. Members must be able to work with one another in reaching consensus views based on the IASB IFRS Board's objective of developing high quality and transparent financial reporting. Members must be able to put the objective of the IASB IFRS Board above individual philosophies and interests.	Changes made to reflect the proposed change of name of the organisation and the associated proposed name change of the Board. Change also to reflect that the Board shall consult more widely.
Integrity, Objectivity and Discipline. The credibility of members should be demonstrated through their integrity and objectivity. This includes intellectual integrity as well as integrity in dealing with fellow IASB IFRS Board members and constituents others. Members should demonstrate an ability to be objective in reaching decisions. Members also should demonstrate an ability to show rigorous discipline and carry a demanding workload.	Changes made to reflect the proposed change of name of the organisation and the associated proposed name change of the Board. Changes also to reflect wider consultation by the IASB.
Commitment to the IASC IFRS Foundation's Mission and Public Interest. Members should be committed to achieving the objective of the IASC IFRS Foundation of establishing international accounting and financial reporting standards that are of high quality, comparable, and transparent. A candidate for the IASB IFRS Board also should also be committed to serving the public interest through a private standard-setting process.	Changes made to reflect the proposed change of name of the organisation and the associated proposed name change of the Board.