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DSR – öffentliche SITZUNGSUNTERLAGE

DSR-Sitzung:	136. / 1.10.2009 / 11:00 – 12:00 Uhr
TOP:	02 – IASCF Constitutional Review Part II
Thema:	IASCF Constitutional Review Part II
Papier:	136_02a_Constitution Review



Agenda

1. Overview
2. Part I
3. Part II
 - Timeline
 - Changes proposed by the IASC Foundation



1. Overview

- The need to review the Constitution arises from the Constitution itself which requires the Trustees to undertake:
a review of the entire structure of the IASC Foundation and its effectiveness, (...), with the objective of implementing any agreed changes five years after the coming into force of this Constitution (...); and [Section 17(c)] (...) a similar review subsequently every five years [Section 17(d)]
- The previous review was concluded in June 2005 which demands the completion of the second review by June 2010
- The Trustees decided to divide the review into two parts due to the urgency of the issues of Part I and the intention to implement changes round about January 2009



2. Part I

- Part I of the review dealt with the governance and public accountability of the IASCF Foundation (the creation of a Monitoring Board) and the size and the composition of the IASB
- The Trustees concluded Part I of the review at their meeting in New Delhi 15 and 16 January 2009 and decided to modify the Constitution as follows:
 - To allow for the creation of a link to a Monitoring Board, providing public accountability of the Trustees to public authorities
 - To expand the IASB from fourteen to sixteen members by 2012 with guidelines to ensure a broad international basis for membership and additional flexibility regarding part-time membership
- All changes came into force 1 February 2009



3. Part II – Timeline

December 2008	Publication of a discussion document concerning the second part of the Constitution Review
October 2008 – January 2009	Trustees met with interested parties for discussions
31 March 2009	End of comment period
9 September 2009	Publication of a consultation document
September – October 2009	Round-tables in London, New York, Tokyo. Trustees meet interested parties for discussions
October – November 2009	Consideration of comments received
30 November 2009	End of comment period
January – April 2010	Completion of Part II and publication of the revised Constitution



3. Question 1: Confusion associated with the existing names within the IASC Foundation

See Part A
Section 1

- Proposed change
 - Change the name of the organization to ‘International Financial Reporting Standards Foundation’, abbreviated ‘IFRS Foundation’
 - Change the name ‘International Accounting Standards Board’ to ‘International Financial Reporting Standards Board’, abbreviated ‘IFRS Board’
- Reasons
 - Current name does not reflect the fact that the organization’s primary product is International Financial Reporting Standards (IFRSs)
 - For consistency change of the name of the IASB as well



3. Question 1: Confusion associated with the existing names within the IASC Foundation

See Part A
Section 1

- Question
 - Do you support this change in name? Is there any reason why this change of name might be inappropriate?
- **Änderungsvorschlag?**
 - *Keiner, Zustimmung*



3. **Question 2: Confusion associated with the existing names within the IASC Foundation**

See whole
Constituiton

- Proposed change
 - Replacement of all references to ‘accounting standards’ by ‘financial reporting standards’
- Reasons
 - 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
 - Do you support this change?
- **Änderungsvorschlag?**
 - *Keiner, Zustimmung*



3. Question 3: The need to clarify the objectives of the organisation in the light of global IFRS adoption

See Part A
Section 2

- Proposed change
 - The objective is to have the standards globally accepted
 - Distinction between emerging economies and small and medium-sized entities, but same importance

- Reasons
 - (a) In the interest of clarity, it would be appropriate to insert the word `accepted` . It would reflect that the objective is to have the financial reporting standards globally accepted
 - (c) The current section seems to suggest that matters of concern for `emerging economies` are not distinct from SMEs



3. Question 3: The need to clarify the objectives of the organisation in the light of global IFRS adoption

See Part A
Section 2

- Notes
 - No changes concerning
 - ‘participants in the world’s capital markets’
 - principle-based standards
 - enlargement of financial reporting (public and not-for-profit sector)
- Question
 - Do you support the changes aimed at clarity?
- **Änderungsvorschlag?**
 - *Keiner, Zustimmung*



3. Question 4: Reflecting the role of the Monitoring Board

See Part A
Section 3

- Proposed change
 - Amendment to clarify the role of the Monitoring Board and the separation of its functions from the Trustees and the IASB
- Reasons
 - A change of the language should reflect more accurately the creation of the Monitoring Board, its role and the separation of its functions from the Trustees and the IASB
- Question
 - Do you support this clarifying amendment?



3. Question 4: Reflecting the role of the Monitoring Board

See Part A
Section 3

- **Änderungsvorschlag?**

- *Laut IASB soll das Monitoring Board eine Institution unter dem Dach der Foundation sein, somit wäre “A The Monitoring Board (...) shall provide....” angebracht um klarzustellen, dass das Board nicht “irgendein” Überwachungsorgan ist. Sonst Zustimmung.*



3. Question 5: *Recognising the participation of Trustees from Africa and South America*

See Part A
Section 6

- Proposed change
 - Formal recognition and guaranty of participation of Trustees from South America and Africa
- Reasons
 - In accordance with the recent changes of the geographical allocation of IASB members, changes of the composition of Trustees are proposed as well. The Trustees also note that there has always been Trustee participation from those areas



3. Question 5: *Recognising the participation of Trustees from Africa and South America*

See Part A
Section 6

- Question
 - Do you support the specific recognition of Africa and South America?
- **Änderungsvorschlag?**
 - *Generelle Zustimmung zur Ernennung von Mitgliedern aus Afrika und Südamerika. In diesem Zusammenhang aber Konfusion mit “maintaining overall geographical balance”. Vorschlag: “maintaining overall geographical segmentation”*



3. **Question 6: A provision for up to two vice-chairmen of the Trustees**

See Part A
Section 10

- Proposed change
 - Possibility of an appointment up to two Vice-Chairmen of the Trustees
- Reasons
 - Given the demands placed on the Chairman in carrying out his function, it would be appropriate to appoint up to two Vice-Chairmen to share some of his obligations and functions
- Question
 - Do you support the constitutional language providing for up to two Vice-Chairmen?
- **Änderungsvorschlag?**
 - *Keiner, Zustimmung*



3. Question 7: Continued emphasis on effective Trustee oversight

See Part A, B
Sections 13, 15

- Proposed change
 - none
- Reasons
 - Many comments, strong sense that Trustees should play 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
 - Trustees took steps to reinforce public accountability (first Constitution Review)
 - Trustees came to conclusion: "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."



3. **Question 7: Continued emphasis on effective Trustee oversight**

See Part A, B
Sections 13, 15

- Question
 - 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
- **Änderungsvorschlag?**
 - *Keiner, Zustimmung*



3. **Question 8: Expanding the IASB's liaison with other organisations**

See Part B
Section 28

- Proposed change
 - Allowance 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
- Reasons
 - A co-operation would aid in ensuring that IFRSs are globally accepted, amendment would reflect the IASB's obligation to consult more widely
- Question
 - Do you support the changes aimed at encouraging liaison with a broad range of official organizations with an interest in accounting standard-setting?
- **Änderungsvorschlag?**
 - *Keiner, Zustimmung*



3. **Question 9: The possibility of two Vice-Chairmen for the IFRS Board**

See Part B
Section 30

- Proposed change
 - Possibility of two Vice-Chairmen for the IFRS Board
- Reasons
 - See Q 6
- Question
 - Do you support the constitutional language providing for up to two Vice-Chairmen?
- **Änderungsvorschlag?**
 - *“Up to two...may” → sehr lax, vorheriger Wortlaut “One...shall”*
 - *Vorschlag: “Up to two of the full-time members of the IFRS Board may, but at least one shall, also be designated....”, somit bessere Klarstellung der Notwendigkeit eines stellvertretenden Vorsitzenden*



3. Question 10: The length of IFRS Board members' terms

See Part B
Section 31

- Proposed change
 - Change in the length of a possible second term of the IFRS Board members. Appointment for an initial term of five years with the possibility of a second term of three years. Exceptions are the Chairman and the Vice-Chairmen (second term five years, but all in all maximal ten years).
- Reasons
 - To provide the inclusion of IASB members with recent practical experience and an appropriate turnover, need for shortening the second term duration
- Question
 - Do you support the change in proposed term lengths?



3. Question 10: The length of IFRS Board members' terms

See Part B
Section 31

- **Änderungsvorschlag?**

- Formulierung nicht konsistent mit Begründung:

- “The proposed amendment is to allow for Board members to be appointed initially for a term of five years, with the option...”.

- Somit müsste Formulierung lauten:

- “Members...after 2 July 2009...for a term of ~~up to~~ five years.”

- Weiterhin unklare Formulierung:

- “..., with the exception of the Chairman and a Vice-Chairman. The Chairman and a Vice-Chairman....”

- I.S.v. Section 30 müsste auf die mögliche erhöhte Anzahl von Stellvertretern eingegangen werden. Vorschlag:

- “..., with the exception of the Chairman and the Vice-Chairmen. The Chairman and the Vice-Chairmen....”



3. Question 10: The length of IFRS Board members' terms

See Part B
Section 31

- **Änderungsvorschlag? (Fortsetzung)**
 - Oder alternative, allgemeine Formulierung:
“..., with the exception of a Chairman and a Vice-Chairman. A Chairman and a Vice-Chairman....”



3. *Question 11: Accelerated due process*

See Part B
Section 37(c)

- Proposed change
 - An accelerated due process under exceptional circumstances
- Reasons
 - Due to respondents' comments and consultation of the IASB and SAC, the Trustees concluded that there is to be an accelerated due process in emergency situations, provision is required in the Constitution
 - 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



3. *Question 11: Accelerated due process*

See Part B
Section 37(c)

- Question
 - Do you support the amendment of section 37 (c)?
- **Änderungsvorschlag?**
 - *Keiner, Zustimmung, da explizit darauf verwiesen wird, dass die öffentliche Kommentierungsfrist nur verkürzt, jedoch nicht gänzlich aufgehoben wird*



3. **Question 12: Encouraging greater input into the IASB's agenda-setting process**

See Part B
Section 37(d)

- Proposed change
 - Amendment of section 38 (d) which provides that the IASB must consult the Trustees and the SAC when developing its technical agenda.
- Reasons
 - Consideration of concerns expressed (e.g. public consultations on the agenda, IASB must have the ability to determine its own agenda)
- Question
 - Do you support this amendment?
- **Änderungsvorschlag?**
 - *keiner, Zustimmung*



3. Question 13: Review of the Standards Advisory Council (SAC)

See Part B
Sections 44, 45

- Proposed change
 - none
- Reasons
 - The Trustees have concluded that it would be premature to make significant constitutional changes to the SAC, because of the reconstitution of the SAC in January 2009
- Question
 - Do you support the proposal to make no amendment to sections 44 and 45?
- **Änderungsvorschlag?**
 - *Keiner, Zustimmung*



3. Question 14: Further clarifying amendments and improvements

See Part B
Sections 48, 49

- Proposed change
 - Replacement of all references to specific staff titles by ‘the senior staff management team’
 - Deletion of section 49
 - Update of the Constitution by removing all historical references that relate to when the organization was established in 2001
- Reasons
 - Trustees believe that a constitutional document should be sufficiently flexible to withstand the test of time → generic reference
 - Section 49 is covered by the amendment of section 48
 - Historical references are no longer applicable (e.g. section 17)



3. Question 14: *Further clarifying amendments and improvements*

See Part B
Sections 48, 49

- Question
 - Do you support the amendment of section 48, the deletion of section 49 and the deletion of all historical references?
- **Änderungsvorschlag?**
 - *Bezüglich “by removing all historical references”: Notwendigkeit von Section 33 (neu)? Durch die anfänglichen Amtszeitstrukturierungen und die neu getroffenen Änderungen wird eine Strukturierung sichergestellt, “so that not all members retired at once.”*
Vorschlag: Streichung von 33 (neu). Sonst Zustimmung.



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