



The Corporate Reporting Users' Forum

Tamara Feldman
Assistant Corporate Secretary
IASB Foundation

By email: constitutionreview.iasb.org

14th December 2009

Dear Ms Feldman

CRUF participants are supportive of the bulk of the proposed changes to the constitution.

We would draw attention to four matters where our view differs from that of the Foundation or where we believe particular vigilance is needed:

- **Agenda-setting.** We have long regarded this as a crucial area where greater oversight is needed. We strongly welcome the proposed changes to make more explicit the roles of the IFRS Foundation and the SAC in helping the IFRS Board to formulate its agenda. We believe that this will only have practical impact if all the parties approach their roles in relation to agenda-setting with a desire to listen and to respond appropriately to issues raised. We look forward to all three parties rising to this challenge.
- **Accelerated due process.** Given the practical impossibility for most parties to respond to consultation periods which are shorter than 30 days (for us, even 30 days is a significant stretch – particularly given the extremely ambitious current agenda of the IASB), we do not see any difference in practice between consultations shorter than 30 days and dispensing with consultation altogether – which the Foundation rightly frowns upon. We are therefore of the view that there should not be a change to permit consultation periods shorter than 30 days.
- **Standards Advisory Council.** We agree that there is no current need for changes to the constitutional framework for the SAC. But we expect that the IFRS Foundation will keep this question under active review as practical impact of the recent – and very welcome – changes becomes clearer.
- **Geographical split of the trustees.** We look forward to the time when both the IFRS Board and the trustees are not chosen based on geography but are constituted of those individuals best able to carry out the role and play their relevant roles in the creation of high quality financial reporting standards.

About the Corporate Reporting Users' Forum (CRUF)

The CRUF came together in 2005 as a discussion forum to help its participants in their approach to the debate on current and future corporate reporting requirements. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters such as the IASB and FASB.

CRUF participants come from all around the world, including individuals from both buy- and sell-side institutions, and from both equity and fixed income markets.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. It does not seek to achieve consensus views, though at times



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some or all of its participants will agree to make joint representations to standard setters or to the media. It would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative.

We sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum (www.CRUF.com) and not as representatives of our respective organizations. The views expressed are those of individual CRUF participants and do not necessarily reflect the views of the respective organizations where we are employed.

The participants in the Forum that have specifically endorsed this response are listed below.

Paul Lee
Director
Hermes Investment Management Ltd

Elmer Huh, CFA, FRM
Director
Portfolio Valuation and Corporate Finance
Duff & Phelps, LLC

Norbert Barth
Executive Director
Equity Research
WestLB AG

John Kattar, CFA,
President and Chief Investment Officer
Eastern Investment Advisors

Tanya Branwhite
Divisional Director - Strategy
Research - Macquarie Capital Securities

Scott Russian, CFA

Richard Singleton

Peter Elwin
Head of Accounting & Valuation Research
Cazenove Equities

Pinto Suri,
Sr. Credit Analyst,
Flaherty & Crumrine

Ralf Frank
Managing Director
DVFA

Jed Wrigley
Portfolio Manager
Director – Accounting and Valuations
Fidelity Investments



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Appendix

Q1 Do you support this change in name? Is there any reason why this change of name might be inappropriate?

Q2 Do you support this change?

CRUF participants support the proposed changes to the names of the IASC Foundation and the IASB, and hereafter in this response we will use the newly proposed names. We are also supportive of the renaming of the remaining references to accounting standards.

Q3 Do you support the changes aimed at clarity?

Q4 Do you support this clarifying amendment?

CRUF participants support the proposed clarification of the objectives and the changes to recognise the creation and role of the Monitoring Board. We would note our strong view that the role of the Monitoring Board must be constrained to oversight and accountability of the IFRS Foundation, and we would not welcome undue interference in the governance of the Foundation. We would be strongly opposed to any involvement of the Monitoring Board in the work of the IFRS Board.

Q5 Do you support the specific recognition of Africa and South America?

CRUF participants remain of the view that the IFRS Board and the trustees should be constituted of the individuals with the mix of skills best able to develop Financial Reporting Standards of the highest quality. We do not favour strict geographical quotas for membership such as those which are in place and are proposed. We understand the desire to smooth widespread acceptance of proposals by having a spread of geographies represented on the board and among the trustees, but it is not clear that the proposed rigidity is helpful in this. We would also note that the current place of residence of an individual may not reflect the particular perspectives which he or she brings and that if there are to be geographical quotas we hope that the trustees will be empowered to interpret them broadly so that the Board and the trustees are constituted of the highest quality individuals best able to take the IFRS agenda forwards.

Q6 Do you support the constitutional language providing for up to two Vice Chairmen?

CRUF participants support the proposal to allow the appointment of two vice-chairs. We recognise the value this will bring in liaison with public authorities.

Q7 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.

As the IFRS Foundation is aware, CRUF participants share many of the concerns outlined in the discussion on agenda-setting: we believe that confidence in the IFRS Board and its decisions would be enhanced if the Foundation's role in assuring the effectiveness of the processes of the IFRS Board were more transparently effective. We recognise the very significant steps forward which have been made in this regard in recent years, but we believe that there is scope for further action. In particular we have raised questions regarding the oversight of the agenda-setting process and very much welcome the Foundation's attention to this issue in the current consultation (we make our specific comments in response to the questions below).



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One area where we would welcome further attention by the Foundation beyond those currently considered is in oversight of the process of the IFRS Board's post-implementation reviews. Investor confidence in these reviews will be significantly enhanced if they are transparently carried out, consider stakeholder input effectively and lead to changes which respond to that input. We believe that the IFRS Foundation will have an important role in providing assurance that this is carried out effectively. We would welcome the Foundation actively considering whether this is an issue which needs to be specifically considered within the Foundation's constitution.

With this caveat we are content to support the proposal that no changes otherwise need to be made to the constitution to respond to the issues raised.

Q8 Do you support the changes aimed at encouraging liaison with a broad range of official organisations with an interest in accounting standard-setting?

CRUF participants support the proposal regarding liaison with other bodies.

Q9 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.

CRUF participants support the proposal to enable the appointment of two vice-chairs of the IFRS Board.

Q10 Do you support the change in proposed term lengths?

CRUF participants support the proposal on the terms for IFRS Board members and for the chair and vice-chairs. We would note that given the 8-year maximum term for board members there would be some value in accelerating the Board's process for major projects so that its members had a realistic prospect of seeing more than one from beginning through to the end. We believe that this would markedly enhance the Board's functioning and effectiveness as well as its productivity.

Q11 The Trustees seek views on the proposal to insert in section 37 (to become section 38) of the Constitution an additional subsection 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.

CRUF participants do not favour consultation periods shorter than 30 days. Even 30 days raises real challenges for the ability of users effectively to respond to consultations. We note that the current proposal is that consultations could never be eliminated altogether but could on rare occasions be reduced to fewer than 30 days. Our view is that in practice there is not a significant difference between reduction below 30 days and full elimination and we therefore do not favour this proposed flexibility.

Q12 The Trustees seek views on the proposal to amend section 37(d) (to become section 38) of the Constitution to expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda.

CRUF participants welcome this proposal. As the IFRS Foundation is aware, CRUF participants have been urging greater clarity and accountability in the IFRS Board's agenda-setting process. We have on occasions felt frustrated that the concerns of users about some specific issues which the Board could - and we believe should - address have not been given priority, while other issues which we believe are of much lesser concern have been dealt with with more urgency. We therefore strongly welcome these proposed changes.



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We would note that these changes will only be effective to the extent that the Foundation and the Board give them effect in their practice and behaviours. We as users are keen to have input into the agenda-setting process as we believe this will help significantly enhance the quality of IFRSs and the company reports made under them. We hope that both the Foundation and the Board are similarly keen to take the benefit of this input and see it influence decision-making in practice - and we very much look forward to this being the case.

Q13 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.

CRUF participants are content to support the current sections covering the role of the SAC. We strongly welcome the efforts to reconstitute the SAC in response to past comments, and in particular we welcome the creation of the investor sub-group. We note the intent in new section 37(d) to make more explicit the role of the SAC in assisting the IFRS Board in setting its agenda. We believe it is premature to judge the success of these welcome initiatives, and so agree with the IFRS Foundation that there is no immediate need for change to the constitution in respect of the SAC. However, we expect the Foundation closely to monitor the effectiveness of these developments in practice and to keep under review the need to amend the constitution to reflect any lessons learned.

Q14 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.

CRUF participants support the proposed changes to sections 48 and 49 removing the detail on staff roles.