



International Accounting Standards
Committee Foundation®

Press Release

FOR IMMEDIATE RELEASE

12 November 2003

Trustees Announce the Process for Constitutional Review

The Trustees of the International Accounting Standards Committee (IASC) Foundation today announced that they have initiated an intensive review of the IASC Foundation's constitutional arrangements. The IASC Foundation Constitution sets out the operating procedures of the IASC Foundation and the International Accounting Standards Board, and requires five-yearly reviews of the Constitution. In launching this, the first such review, the Trustees have emphasised that they are willing to examine any aspect of the Constitution and will be consulting a wide range of organisations. To coordinate the process, the Trustees have established an internal committee, chaired by Paul A Volcker.

A memorandum listing the members of the Committee and describing the process and procedures for the review is attached.

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NOTE TO EDITORS

The International Accounting Standards Committee (IASC) Foundation, based in London, is the oversight body of the International Accounting Standards Board (IASB). The governance of the organisation rests with 19 Trustees, chaired by former US Federal Reserve chairman Paul A Volcker. The IASC Foundation is funded by contributions from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The IASC Foundation, through the IASB, is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements.

APPENDIX

Memorandum regarding the Constitutional Review Process

IASC Foundation Constitution Committee

12 November 2003

The Trustees of the International Accounting Standards Committee (IASC) Foundation have initiated a review of the organisation's constitutional arrangements, which govern the operating procedures of the Foundation and the International Accounting Standards Board (IASB). At their meeting on 4 November 2003, the Trustees agreed to a preliminary process for conducting the review.

Background

After a period of extended public consultation, the Board of the former IASC (the IASC Foundation's predecessor body) in March 2000 and the members of IASC on 24 May 2000 approved the Constitution in its original form.

At its meeting in December 1999, the IASC Board appointed a Nominating Committee to select the first Trustees, who would become the Trustees of the IASC Foundation. Those Trustees were nominated on 22 May 2000 and took office on 24 May 2000 as a result of the approval of the Constitution.

In execution of their duties under the Constitution, the Trustees formed the IASC Foundation on 6 February 2001. As a consequence of a resolution by the Trustees, Part C (relating to the operating arrangements of the former IASC) of the Constitution approved on 24 May 2000 ceased to have effect.

Reflecting the Trustees' decision to create the International Financial Reporting Interpretations Committee, and following public consultation, the Constitution was revised on 5 March 2002 to define the mandate of that Committee. Subsequently the Trustees made certain editorial amendments to the Constitution, with effect from 8 July 2002, to reflect other changes that had taken place since the formation of the IASC Foundation.

The Constitution states that the Trustees should undertake:

“a review of the entire structure of the IASC 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)” (Section 18 (b))

The current broad review is being initiated consistent with Section 18 of the Constitution.

Establishment of a Constitution Committee

At their meeting in July 2003, the Trustees agreed that they should initiate the review as soon as possible and should consider the full range of issues raised by the Constitution. The

Trustees have now established a Constitution Committee, which comprises of the following Trustees:

Paul Volcker, Chairman
John Biggs
Roberto Teixeira da Costa
Toru Hashimoto
Cornelius Herkströter
Philip Laskawy
Sir Sydney Lipworth

The Committee is responsible for coordinating the review and for making any recommendations regarding constitutional changes to the full Trustees.

Process for Reviewing the Constitution

At their meeting on 4 November 2003, the Trustees discussed the need to consult interested parties on the full range of issues raised by the Constitution, and agreed on various aspects of the review, including the procedures for conducting the review, the extent of consultation, staffing, and the issues to be discussed.

Transparency of the Process

The Trustees agreed to the following procedural issues for the Constitution Committee:

- The Committee will make non-binding recommendations to the Trustees, and the Trustees as a whole will make final decisions regarding any changes in the Constitution.
- Meetings of the Committee when considering possible recommendations to be made to the Trustees for changes in the Constitution will be open to the public.
- Any discussions related to the Constitution during the full Trustees' meetings will be held during the public sessions of Trustees' meetings.
- The Committee will engage in intensive public consultations before making recommendations to the full Trustees. The consultations will include:
 - an opportunity for interested parties to identify issues that should be addressed (see below).
 - discussions with interested parties
 - possibly, public meetings or roundtable discussions
 - the publication of papers to assist those attending the public discussions of the Trustees or the Committee to follow the deliberations.
 - the publication of all proposals with a period for public comment before the Trustees reach a conclusion.

Extent of Consultation with Interested Parties

The Committee has begun to identify organisations that it should take the initiative in consulting. They include:

- **international and regional organisations**
- **securities regulators**
- **other international regulatory organisations**
- **accounting standard-setters**
- **organisations representing the accountancy profession**
- **organisations representing business groups**
- **analyst groups and other investment organisations**
- **academic groups.**

Additionally, the Trustees will actively engage the Standards Advisory Council (SAC) in the process. At its meeting in November 2003 the SAC will be briefed on the decisions reached so far, and the Committee will arrange to discuss specific issues related to the Constitution with the SAC at its February 2004 meeting.

Staffing of the Review

Recognising the need for extensive consultation and the possibility that this would require significant staff resources dedicated to the task, the Trustees have agreed to the possibility of recruiting a staff member to assist the Constitution Committee and the Director of Operations, who serves as the Secretary to the Trustees, in the administration of the review. The Committee will develop a job description for such a position and will advertise the position if it becomes necessary to appoint such a person.

Identification of Issues for the Review

The Committee has developed a list of issues addressed in the Constitution, and some preliminary questions to pose to those interested in participating in the review. This list will be published under separate cover, and interested parties will be given 90 days to identify issues that should be addressed by the Committee.

The list and questions will be posted on the IASC Foundation/IASB Website.