



International Accounting Standards
Committee Foundation®

Press Release

For immediate release

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Trustees publish proposed changes in the IASC Foundation Constitution

The Trustees of the International Accounting Standards Committee (IASC) Foundation today published for public comment a consultation document containing their proposals to amend the IASC Foundation Constitution. The Constitution sets out the organisational framework of the IASC Foundation and the International Accounting Standards Board (IASB). Comments are requested by 23 February 2005.

The Trustees have concluded that the basic elements of the existing Constitution, first recommended by the former IASC's Strategy Working Party and then approved by IASC in 2000, have proved sound. The proposals in the consultation document would not alter the basic framework of the organisation, which leaves the setting of accounting standards to the IASB, an independent expert group with diverse practical and professional backgrounds. The Trustees, however, have taken into account concerns raised by those affected by the IASB's work, most notably on the Trustees' oversight role, the composition of the Trustees and the IASB, and the IASB's operating procedures.

The proposals are the outcome of an intensive review begun in November 2003. The review included a preliminary consultation paper seeking issues for consideration; a series of public hearings held in London, Mexico City, New York and Tokyo; consultations with the IASB's Standards Advisory Council; and contributions from more than a hundred organisations. After considering comments on the consultation document, the Trustees expect to finalise changes to the Constitution at their public meeting in March 2005.

The consultation document *Review of the Constitution: Proposals for Change* can be viewed on the IASC Foundation Website (www.iascfoundation.org).

Printed copies (ISBN 1-904230-75-X) may be obtained free of charge from the IASC Foundation Publications Department, 30 Cannon Street, London EC4M 6XH, United Kingdom.

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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.

IASC Foundation Constitution Review – Background and Procedures

Establishment of the existing Constitution

1. After a period of extended public consultation, the Board of the International Accounting Standards Committee (IASC, the predecessor of the IASC Foundation) in March 2000 and the members of IASC on 24 May 2000 approved the Constitution of the proposed International Accounting Standards Committee Foundation (IASC Foundation).
2. 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. As a consequence of a resolution by the Trustees, Part C (relating to the operating arrangements of the former IASC) of the Constitution ceased to have effect from 24 May 2000.
3. In executing their duties under the Constitution, the Trustees formed the IASC Foundation on 6 February 2001.
4. 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.

Initiating the Review of the Constitution

5. Section 18(b) of the Constitution states that the Trustees, in order to ensure their accountability, should undertake, among others:

... 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);

The current review was initiated in accordance with this requirement.

6. 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 established the Constitution Committee with responsibilities for coordinating the review and for making any recommendations for constitutional changes to the full Trustees.
7. The Committee's first step was to publish a consultation paper *Identifying Issues for the IASC Foundation Constitution Review*, which invited respondents to suggest issues for the Committee to review. The comment period ended on 11 February 2004. The Committee received 71 comment letters, all of which have been posted on the IASC Foundation's Website and are freely available to the public.
8. To discuss the responses received to the initial consultation paper, the Committee met three times—twice on its own and once with the Standards Advisory Council (SAC). The Committee

then identified ten major issues to be taken up as part of the review and published these issues on the IASC Foundation Website on 22 March 2004.

9. Additionally, the SAC established a subcommittee to offer suggestions on various options available to the Trustees and to comment on proposals made by the Committee.

Developing proposals

10. Based upon its discussions with the other Trustees, the SAC, liaison national standard-setters, and the Committee of European Securities Regulators, the Committee developed some possible approaches for the ten major issues identified. The Committee published these possible approaches on the IASC Foundation's Website on 7 May 2004.
11. In posting the possible approaches, the Committee emphasised that the particular approaches suggested were meant to enhance, not to end, the consultation process. The Committee was seeking to encourage responses from interested parties.
12. To that end, the Committee held a series of public hearings to provide an opportunity for interested parties to give their reactions to the preliminary approaches. During the months from June to October 2004, four hearings were scheduled in Asia (Tokyo), Europe (London) and North America (Mexico City and New York). Sixty-four organisations participated in the hearings or submitted views to the Committee.
13. Taking account of the feedback received from the public hearings, the Constitution Committee developed recommendations that were presented for the Trustee's review on 25 October 2004. The proposals in this paper reflect the decision of the Trustees at that meeting.