

## FINANCIAL ACCOUNTING FOUNDATION

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### FOR IMMEDIATE RELEASE

## **The Financial Accounting Foundation Board of Trustees Approves Changes to Oversight, Structure and Operations of FAF, FASB and GASB**

*Changes are designed to protect and maintain the efficiency, effectiveness and independence of the standards-setting process*

**Norwalk, CT, February 26, 2008** – The Board of Trustees of the Financial Accounting Foundation (FAF) today announced that, following a public due process period in which 59 comments were received from accounting and financial organizations and others interested in standard setting, it has voted to approve major changes to the oversight, structure and operations of the FAF and its two standard-setting Boards, the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB).

The FAF Trustees are an independent body of leaders with diverse professional backgrounds, including business and financial executives, capital markets and investment professionals, public accountants, securities lawyers, accounting educators, and state and local government officials. Collectively, the Trustees are responsible for the oversight, administration, and finances of both the FASB and its counterpart for state and local government, GASB.

Today's changes emanate from the recommendations of the FAF Trustees' Special Committee on Governance Review. Established in July 2007, the Committee was created to examine the structure, effectiveness, and efficiency of the governance processes of the FAF, FASB and GASB.

Specifically, the FAF Board of Trustees voted to approve the following key changes:

### FAF

- Expand the number and breadth of investors, accounting, business, financial and government organizations and entities invited to nominate FAF Trustees with the understanding that final authority for all appointments rests solely with the discretion of the Board of Trustees. The manner of implementation of this open nomination process will be determined pending further discussions among the Trustees and interested constituencies;
- Change the current term of Trustees from one three-year term with a possible second three-year term to one five-year term;
- Change the size of the Board of Trustees from a fixed sixteen Trustees to a flexible range of fourteen to eighteen Trustees, the size to be fixed by Board resolution from time to time; and

- Increase the Trustee governance activities, including its level of formal review, analysis and oversight of the data and materials regularly provided by FASB, FASAC, GASB and GASAC.

#### **FASB**

- Reduce the size of the FASB from seven members to five, effective July 1, 2008;
- Retain the FASB simple majority voting requirement;
- Affirmed the need for investor participation on the FASB by broadening the current by-law requirement that FASB members possess investment experience. The by-law will now read: “The Members of the FASB shall, in the judgment of the Trustees, have knowledge of investing, accounting, finance, business, accounting education and research and a concern for the investor and the public interest in matters of investing, financial accounting and reporting”; and
- Changed the FASB’s agenda-setting process to a “leadership agenda process” whereby the FASB chair is vested with the authority, following appropriate consultation, to set the FASB project plans, agenda and priority of projects.

#### **GASB**

- Secure a stable and permanent funding source for the GASB;
- Retain the current size, term length, and composition of the GASB; and
- Change the GASB’s agenda-setting process to a “leadership agenda process” whereby the GASB chair is vested with the authority, following appropriate consultation, to set the GASB project plans, agenda and priority of projects.

#### ***FAF Special Committee Objectives***

In preparing its recommendations to the broader group of FAF Trustees, the FAF Special Committee sought to ensure proper evaluation and planning for the future role of FAF and FASB in a capital market environment moving toward global convergence of accounting standards and to enhance the standard-setting effectiveness of FASB and GASB. The Committee explored various ways to improve the effectiveness and efficiency of the structure and operations of the FAF, the FASB and the GASB over a five month period before presenting its proposals to the Board of Trustees at its November meeting. In December, the Board further discussed the proposals and voted to expose a set of 11 recommendations for public comment.

#### ***Extensive Open Due Process***

In keeping with the FAF’s commitment to open and rigorous due process, a request for comments was posted to the FASB and GASB websites on December 18, 2007, and was published in the December 2007 issues of *The FASB Report* and *The GASB Report*. During the public comment period lasting through February 10, 2008, the FAF received 59 letters from users, preparers, auditors, government associations and officials and individuals providing input on the proposals. Trustees also spent this period listening to the views of various constituents and government officials.

“Today’s vote in favor of the recommendations made by the FAF Special Committee on Governance Review demonstrates the Trustees’ strong commitment to enhance the efficiency, effectiveness and independence of our standard-setting Boards in a rapidly-changing economic environment,” stated Robert Denham, Chairman of the FAF Board of Trustees. “The Board’s adoption of these proposals is a thoughtful and well-considered action necessary to ensure FAF’s continued and enhanced ability to meet its responsibilities to the public through the development of transparent, high-quality financial reporting standards. As the FAF moves forward with these changes, constituents will be regularly informed of all implementation plans so that they may continue to provide input.”

“On behalf of the Board of Trustees, I commend the Committee members for their extraordinary commitment of time and energy to examine these critical issues and to enact the changes necessary for these organizations to serve the interests of investors and our increasingly global economy,” added Ellyn Brown, FAF Trustee and Chair of the Special Committee on Governance Review. “The Board also appreciates the participation of those who commented on the proposals and, in many instances, offered good ideas for implementation. This input will be important as the FAF thoughtfully evolves in this pivotal period in U.S. standard setting.”

Results of today’s voting were announced at a press conference held at the conclusion of today’s FAF Board of Trustees meeting in New York City. The resolutions adopted are available at [www.fasb.org](http://www.fasb.org) and [www.gasb.org](http://www.gasb.org).

### **About the Financial Accounting Foundation**

The FAF is responsible for the oversight, administration, and finances of both the Financial Accounting Standards Board (FASB) and its counterpart for state and local government, the Governmental Accounting Standards Board (GASB). The Foundation is also responsible for selecting the members of both Boards and their respective Advisory Councils.

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