



International Accounting Standards
Committee Foundation

Press Release

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**Chairman Paul Volcker keynotes constitutional reform:
independence with accountability**

In remarks today to the European Union's Accounting Regulatory Committee (ARC), Paul A Volcker, Chairman of the IASC Foundation Trustees, emphasised the progress that the International Accounting Standards Board (IASB) was making towards its objective—a common set of respected accounting standards applicable in all significant markets.

In making his remarks, Mr Volcker noted the breadth of interests at stake. He said:

Quite obviously, the European Union has a large stake in that effort. International standards are mandatory by law and its companies and investors are potentially among the greatest beneficiaries. But Europe is not alone. What is remarkable is the extent to which emerging and transitional economies without established and credible accounting systems—Russia, China, India, much of the rest of Asia and Latin America—are committed by policy or law to the common objective, as is Japan. At the same time, it's evident that truly international accounting standards cannot be fully effective—cannot come close to their potential—without encompassing the world's largest capital market, the United States.

Mr Volcker acknowledged that concerns in Europe and elsewhere had been raised regarding the organisation's governance, and the Committee of Trustees is examining those issues as part of the Trustees' ongoing review of the IASC Foundation's Constitution. Noting the Trustees' proposals published in November, Mr Volcker said:

It should be clear that it has not been the Trustees' intent to revisit the entire debate five years ago about the organisation of the International Accounting Standards Board and our Constitution. The central idea that emerged from that debate, and will remain, is to foster the independence of judgement of a highly professional, decision-making Board, appropriately protected from particular national or special interest pleading.

Mr Volcker highlighted that the proposals released in November directly addressed a large number of the concerns raised by various commentators, in particular those in Europe:

The Trustees accept the need—indeed have already encouraged—the Board to consult more fully with representative groups in the early stages of formulating its ideas in particularly complex and difficult areas.

In that light, the Constitutional proposals:

- reinforce the IASB’s consultation procedures by emphasising the Trustees’ oversight role in reviewing the IASB’s technical agenda, ensuring early consultation is occurring, and implementing additional steps in the consultation process, such as the establishment of working groups.
- clarify that appointments to the IASB itself should blend financial experience and expertise along with intellectual vigour and ‘technical’ accounting qualifications.
- raise the voting requirements of the IASB from a simple majority to nine votes of fourteen to assure that such important decisions should reflect a broad consensus.

Turning to the geographical composition of the Trustees and the IASB, Mr Volcker said:

The decision of the European Union to enforce International Financial Reporting Standards (IFRSs) by law provided bold and constructive leadership toward the concept of international, rather than national or regional, standards. It does not, however, logically lead to a decision to overweight European representation on the Board or the Committee. The ‘end game’, after all, is the acceptability of international standards right around the world.

The importance of the European Union is in fact already strongly reflected in both Board and Committee. Five of the 14 Board members are from Europe, the same as from the United States (and two of those ‘Americans’ happen to carry British passports!) Seven, or more than a third, of the existing 19-member Trustees, are Europeans, more than the number from North America.

In summarising the proposed Constitutional changes, Mr Volcker concluded:

The Committee’s intent to exercise closer procedural oversight and to review the Board’s agenda, responding to concerns about accountability, should be transparently evident in our proposed Constitutional modifications. What we do not propose to change is the basic

concept of an independent decision-making Board, expert and experienced, aware of, and responsive to, the needs of businesses and investors alike, but protected from national, political or sectoral interests.

The full text of Mr Volcker's remarks can be found on the IASC Foundation's Website.

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NOTE TO EDITORS

1. 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. Six of the Trustees are selected from Europe, six from North America, four from the Asia-Pacific region, and three from any region. The three Trustees from other regions now reside in Brazil, South Africa, and Switzerland.
2. 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. 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.
3. The Trustees' proposals for changes in the Constitution of the IASC Foundation were set out in a consultation paper published for public comment on 23 November 2004. A summary of the progress of the Constitution review was attached to the press notice issued on 23 November, which is available on the Website (www.iasb.org/news/iascf.asp).