



International Accounting Standards  
Committee Foundation®

# Press Release

FOR IMMEDIATE RELEASE

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## **Trustees approve constitutional changes**

At their meeting in Paris on 21 June the Trustees of the International Accounting Standards Committee (IASC) Foundation approved amendments to the organisation's Constitution, which governs the IASC Foundation's operational arrangements. The revised Constitution maintains the central premise behind the organisation, which is to preserve the independence of judgement of a highly professional, decision-making International Accounting Standards Board (IASB), appropriately protected from particular national or special interest pleading. At the same time, the Trustees have taken steps to improve their ability to meet their oversight responsibilities, ensuring that the IASB's decisions are made transparently and effectively.

The Trustees have made several changes in the Constitution and the IASC Foundation's operations to address those points. The changes are intended:

- to enhance the organisation's accountability by increasing the Trustees' oversight and interaction with parties interested in, and affected by, accounting standards.
- to improve the transparency of the organisation's operations by introducing new procedures and practices.
- to establish a high level advisory group of leaders of official international and regional organisations to assist the Trustees in their responsibility for nominating and appointing individuals as Trustees.
- to respond to concern that the experiences of those from some large economies outside Europe and North America have not been represented among the Trustees by expanding the number of Trustees from 19 to 22, with a provision for two new appointments from Asia/Oceania.

- to emphasise the need for, and to encourage, extensive consultation through formal and informal mechanisms, including a reinvigorated and more effective Standards Advisory Council, and expanded liaison beyond existing due process requirements.
- to highlight the commitment of the Trustees to ensuring that an independent IASB is composed of individuals that bring to its work not only technical expertise but a broad range of perspectives and skills, including practical experience.
- to take explicit note of the special needs of small and medium-sized entities.

The changes are the outcome of an intensive review begun in November 2003. The review included a preliminary consultation paper seeking issues for consideration; a second consultation document presenting specific proposals for the Constitution; 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. A description of the steps undertaken by the Trustees is attached.

The Trustees will shortly publish a report discussing the various considerations taken into account in making their determinations. The Trustees will post this report on the IASC Foundation's Website.

The new Constitution will take effect on 1 July 2005.

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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 – IASC Foundation Constitution Review – Background and Procedures**

### **Establishment of the IASC Foundation 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 Constitution Review**

5. Section 18(b) of the Constitution requires the Trustees, in order to ensure their accountability, to 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);*
6. The review, completed at the Trustees meeting in June 2005, was initiated in accordance with this requirement.
7. 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 on the Constitution.

The Trustees established the Constitution Committee with responsibilities for co-ordinating the review and for making any recommendations for constitutional changes to the full Trustees.

8. 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 70 comment letters, all of which have been posted on the IASC Foundation's Website and are freely available to the public.
9. 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.
10. Additionally, the Committee established a subcommittee of the SAC to offer suggestions on various options available to the Trustees and to comment on proposals made by the Committee.

### **Developing proposals**

11. On the basis of 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.
12. 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.
13. 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 June to October 2004, four hearings were held in Asia (Tokyo), Europe (London) and North America (New York and Mexico City). Sixty-four organisations participated in the hearings or submitted views.
14. Taking account of the feedback from the public hearings, the Constitution Committee developed recommendations that were presented for the Trustees' review at their meeting on 25 October 2004. As a result of that meeting, the Trustees agreed upon proposals, which were published for comment in November 2004 as *Review of the Constitution: Proposals for Change*.

### **Concluding the Review**

15. In response to their proposals, the Trustees received 71 comment letters. They also held a series of meetings with interested parties in Europe during the comment period, which ended in February 2005.
16. At the meeting of the Trustees in March 2005, staff provided the Trustees with an analysis of the comments received and an options paper on the ten topics under consideration. The Trustees reached conclusions on all of the topics, with the exception

of the number and geographical composition of the Trustees and the process for selecting Trustees. The Trustees agreed to undertake further consultations on those issues.

17. The approved Constitution now reflects the Trustees' conclusions of March 2005 and those reached on the remaining issues at their meeting in June 2005.