



International Accounting Standards  
Committee Foundation

# Press Release

11 February 2008

## **Trustees announce strategy to advance review of constitution**

The Trustees of the International Accounting Standards Committee (IASC) Foundation, the oversight body of the International Accounting Standards Board (IASB), today announced a strategy for the review of the IASC Foundation's Constitution. The Constitution sets out the organisation's governance arrangements.

The decision is one of a series of conclusions that the Trustees reached at their meeting on 29 and 30 January held in Rome, Italy. Details of the enhanced governance proposals and other decisions are described below.

### **An accelerated review of governance arrangements aimed at enhanced public accountability**

The Trustees considered the significant progress made in 2007 towards the objective of establishing International Financial Reporting Standards (IFRSs) as the single globally accepted set of accounting standards.

In November the US Securities and Exchange Commission (SEC) removed the requirement for non-US companies reporting under IFRSs as promulgated by the IASB to reconcile their financial statements to US generally accepted accounting principles (GAAP). The US SEC also issued a Concept Release raising the question of whether US companies should be able to use IFRSs as well.

With the SEC's decision the US joins the expanding number of countries that accept the use of IFRSs. Following the adoption of IFRSs by the European Union and countries elsewhere around the world in 2005, a number of other countries decided in 2007 to establish time lines for the acceptance of IFRSs in their domestic markets or to accelerate convergence of national standards with IFRSs. Among those are Canada, India and Korea (with the exception of financial institutions), all of which will adopt IFRSs by 2011. In Brazil listed companies will have to comply with IFRSs from 2010, and convergence of Japanese GAAP and existing IFRSs in use is expected by 2011. At the beginning of 2007 China introduced a new set of accounting standards that are based on and generally consistent with IFRSs. Altogether, the number of countries that either require or permit the use of IFRSs or are committed to their adoption now stands at over a hundred.

In November 2007, and responding to the growing acceptance of IFRSs, the Trustees announced proposals aimed at strengthening the organisation's public accountability. Specifically, the Trustees agreed to establish a link to a representative monitoring group of official organisations, including securities regulators. This body would approve Trustee appointments and review the Trustees' oversight activities, including the adequacy of the annual funding arrangements as well as the overall budget. At their meeting in November, the Trustees agreed to propose this monitoring group as part of the upcoming review of the Constitution.

In Rome, the Trustees reached the following conclusions regarding the review of the Constitution:

- **An accelerated consideration of a monitoring group:** The Trustees will accelerate consideration of their proposals on the size, composition and mandate of a monitoring group with the goal of reaching conclusions in the second half of 2008. Initial proposals will be published for comment in the second quarter of 2008.
- **A proposal to expand the IASB to 16 members:** At the same time, the Trustees will propose a gradual expansion of the IASB to 16 members. While maintaining the existing Constitutional criteria for selecting members of the IASB, the Trustees will consider whether the Constitution should also explicitly ensure a minimum geographical balance.
- **An extended consultation process on other Constitutional matters:** The Trustees intend to publish in the first half of 2008 a discussion document inviting comments and suggestions on other elements of the Constitution. The Trustees will attempt to conclude the broader review of the Constitution by the end of 2009.

The Trustees plan to broaden their discussions with stakeholder groups on both the specific proposals above and on the review of the Constitution more generally.

#### **Trustees address funding, convergence, and other oversight issues**

In addition to agreeing on a strategy for enhanced public accountability, the Trustees reviewed a number of issues related to their responsibilities:

- **Continued progress on the IASB's work programme:** The Trustees considered the IASB's current work programme and items that were recently added to the IASB's agenda. The Trustees again acknowledged the relevance of completing the programme set out in the Memorandum of Understanding of February 2006 between the IASB and the US Financial Accounting Standards Board (FASB).
- **Enhanced reporting of Trustee activities, funding in the annual report:** In addition to a letter from the Chairman of the Trustees regarding the organisation's performance, the 2007 annual report will include separate sections on the Trustees' oversight role and achievements and on the funding and long-term financing prospects. The 2007 annual report will also highlight the introduction of post-implementation reviews, feedback statements, and impact assessments as innovations introduced during the past year.
- **Continued commitment to a broad-based funding regime:** The Trustees reaffirmed their commitment to establishing a broad-based funding regime and noted that approximately £12.5 million of the £16 million target had been raised. A summary status report is attached in the appendix.
- **Emphasis on building upon the IASB's initial feedback statement and impact assessments:** The Trustees congratulated the IASB on its first effort to develop a feedback statement and impact assessment for the revised business combinations standards. The Trustees recognised that the IASB will continue to refine its procedures and methodology for feedback statements and impact assessments, and the Trustees will work closely with the IASB in this area.

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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 22 Trustees. Six of the Trustees must be selected from the Asia/Oceania region, six from Europe, six from North America, and four from any region. The Chairman is a part-time position.
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.

**About Constitution Reviews**

The IASC Foundation Constitution sets out the governance arrangements of the IASC Foundation, the IASB, and other subsidiary committees. The original Constitution was approved after consultation with international regulatory bodies and the public at large in 2000.

The Constitution requires the Trustees to review the Constitution every five years. The Trustees initiated the first review in November 2003 and following extensive consultation completed the review in June 2005. The current version of the Constitution reflects changes adopted and approved by the Trustees on 21 June 2005 for effect on 1 July 2005. Further amendments were adopted and approved by the Trustees on 31 October 2007 for immediate effect. More information on the IASC Foundation's Constitution is found at <http://www.iasb.org/About+Us/About+the+Foundation/Constitution.htm>.

The next review of the Constitution must begin no later than July 2008.

**Update on funding for 2008**

In June 2006 the IASC Foundation set four principles for a funding system in 2008 and beyond. These four principles are:

- **Broad-based:** A sustainable long-term financing system must expand the base of support to include major participants in the world's capital markets, including official institutions, in order to ensure diversification of sources.
- **Compelling:** A system must carry with it enough pressure to make free riding very difficult. This could be accomplished through a variety of means, including official support from the relevant regulatory authorities and formal approval by the collecting organisations.
- **Open-ended:** The financial commitments should be open-ended and not contingent on any particular action that would infringe on the independence of the IASC

Foundation and the International Accounting Standards Board. This should include sustained support from official international organisations, central banks and the major accounting firms.

- **Country-specific:** The funding burden should be shared by the major economies of the world on a proportionate basis, using Gross Domestic Product as the key determining factor of measurement. Each country should meet its designated target in a manner consistent with the principles above. Trustees should be assigned to specific countries to assist in the development of the funding scheme.

The Trustees have succeeded in establishing regimes consistent with the principles above in a number of countries. On the basis of existing commitments, the Trustees estimate that nearly £12.5 million of the £16 million has been raised. Efforts are continuing in a number of countries throughout the world. The table below shows a summary of expected commitments.

Country/ Type of contributor	System in place	Anticipated amount for 2008 (subject to change due to ongoing efforts and based upon best estimates)
<b>Europe</b>		
Germany	Voluntary system of more than 80 private companies with maximum contribution of €36,000	€1,320,000
United Kingdom	Levy on publicly listed companies through the UK Financial Reporting Council	£700,000
France	Voluntary system of more than 80 companies with no company paying more than €25,000	A target of €1,000,000 with €600,000 committed in 2007
Italy	Levy on registered companies	€700,000
Netherlands	Levy through the securities regulator proposed	€380,000
Sweden	Funding through Föreningen för god sed på värdepappersmarknaden	€300,000
Switzerland	Funding primarily collected through Swiss business associations	€250,000
Luxembourg	Funding through the Bourse of Luxembourg	€50,000
Funding efforts are proceeding in other European Union Member States. Details of commitments will be posted when confirmed.		
<b>Americas</b>		
United States	Voluntary system of 32 companies with range of contribution from \$3,750-	US\$3,500,000

	\$200,000	
Mexico	Voluntary system of contributions	US\$50,000
Brazil	Voluntary system of contributions	US\$15,000
Funding efforts are proceeding in Canada, and discussions are occurring with the Canadian Oversight Council of the Canadian Accounting Standards Board.		
<b>Asia-Oceania</b>		
Japan	Voluntary system coordinated centrally, involving a range of Japanese market participants	US\$2,800,000
China, excluding Hong Kong SAR	Voluntary contributions of Chinese listed companies through the China Accounting Standards Committee	US\$900,000
Australia	Annual payment on behalf of private and public sector stakeholders in the Australia accounting standard-setters process	A\$1,000,000
Korea	Voluntary contributions of Korean listed companies through the Korea Accounting Standards Board	A target of US\$500,000 with US\$300,000 committed in 2007
India	Voluntary contributions of leading companies	US\$337,500
Hong Kong SAR, China	Contribution through regulatory authorities and stock exchange	US\$195,000
New Zealand	Annual payment through the Accounting Standards Review Board	NZ\$200,000
Funding efforts are proceeding in other countries in the Asia-Oceania region.		
<b>Central Banks and International Organisations</b>		
Central Banks and International Organisations	Voluntary payments	US\$375,000 (efforts ongoing)
<b>International Accounting Firms</b>		
Deloitte, Ernst &Young, KPMG, and PricewaterhouseCoopers	Voluntary payments	US\$2,000,000 each
BDO and Grant Thornton	Voluntary payments	US\$150,000 each
Mazars	Voluntary payment	US\$100,000