



Association pour la participation des
entreprises françaises à l'harmonisation
comptable internationale



A F E P

Association Française des Entreprises Privées

IASCF
Constitution Review
30 Cannon Street
London EC4M 6XH
UK

Paris, November 14, 2009

Re: “*Constitution Review phase 2 – Proposals for enhanced accountability*”

We welcome the opportunity to comment on the second phase of the IASCF Constitution Review.

We observe that only few changes are proposed in the Constitution. We understand and support the Trustees’ concern that the IASB remains fully independent in its standard-setting initiatives. Nonetheless we would recommend final outcomes different from present proposals on the following aspects:

- In our view, the IASB should remain, in substance, an accounting standard setter only, i.e. Publish mandatory accounting requirements for the preparation of financial statements only. Other financial reporting issues remain in the responsibility of legislators and market regulators. When adopting IFRS, jurisdictions entrust the IASB with setting the requirements for the preparation of financial statements, no more. We therefore believe that the IASCF and IASB should not change names and keep to the mandate to issue *globally accepted accounting standards*. The issue raised in the invitation for comment is in our view not a question of label, but rather of substance;
- We remain unconvinced that the composition of the Monitoring Board fits the objective of liaising between political authorities and the IASCF. Market regulators do play an important role in the area of financial reporting, we agree. However they do not embody “political authorities” or the only public authorities;
- To ensure proper accountability of the IASB, an annual reporting to the Monitoring Board should be carried out by both the IASB and the Board of Trustees about the implementation of their respective missions ;

- Organising public consultations prior to making agenda decisions remains, in our view, a key necessary enhancement towards greater accountability of the IASCF to the public at large.

In addition to the comments expressed above, we provide detailed answers to the questions raised in the review in the appendix to this letter.

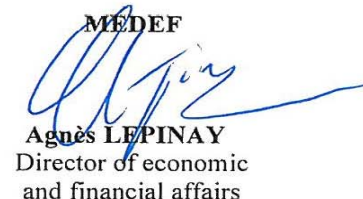
Should you wish any supplementary comment or explanation, please do not hesitate to contact us.

ACTEO

Patrice MARTEAU
Chairman

AFEP

Alexandre TESSIER
Director General

MEDEF

Agnès LEPINAY
Director of economic
and financial affairs

Appendix to our letter on IASCF “Constitution Review phase 2”. Answers to the specific questions raised in the invitation for comments.

Question 1

The Trustees seek views on the proposal to change the name of the organisation to the “International Financial Reporting Standards Foundation”, which will be abbreviated to “IFRS Foundation”.

The Trustees also seek views on the proposal to mirror this change by renaming the International Accounting Standards Board (IASB) as the International Financial Reporting Standards Board, which will be abbreviated to “IFRS Board”;

Do you support this change in name? Is there any reason why this change of name might be inappropriate?

When jurisdictions adopt IFRS, they select IFRS as the set of accounting standards that defines how companies in their jurisdictions must prepare and present their financial statements. Other financial reporting requirements remain in the remit of the legislator and regulator of those jurisdictions. As a result, globally accepted accounting standards should remain set by an accounting standard board.

We acknowledge that the proposal by the Trustees would bring consistency with the choice made at some point in time to name the IASB’s pronouncements “IFRS”. We however believe that this choice of name has already brought confusion as to the substance of the mandate with which jurisdictions entrust the IASB. Keeping the existing names of “IASCF” and “IASB” serves the purpose, we believe, of not extending the confusion any further. The question raised by the Trustees is not a question of names, but rather a question of substance.

Question 2

The Trustees seek views on the proposal to replace all references to “accounting standards” with “financial reporting standards” throughout the Constitution. This would accord with the name changes of the Foundation, the Board and the formal standards developed by the IASB – International Financial Reporting Standards (IFRSs).

Do you support this change?

As indicated above in answer to question 1, we disagree that the IASCF and IASB should have any goal other than to set accounting standards. We therefore disagree with the change proposed.

Question 3

The Trustees seek views on their proposal to clarify section 2 “Objectives of the Foundation” (emphasise that IFRS need to be “accepted standards”, make clear that taking into account specific needs of emerging economies and of SMEs are two distinct constraints).

Do you support the changes aimed at clarity?

We agree with the emphasis added in the objectives of the foundation that the accounting standards issued by the IASCF need to be globally accepted. We believe it reflects adequately the need that those standards be deemed to be adopted at one stage and continue to be accepted thereafter. We agree with the other clarifications proposed.

Question 4

The Trustees seek views on the proposal to amend section 3 “Governance of the IFRS Foundation” (link to the Monitoring Board)

Do you support this clarifying amendment?

We support the conclusion reached by the Trustees that paragraphs 18-23 appropriately supplement the objective assigned to the Monitoring Board to liaise between public authorities and the IASCF. Public authorities need to decide for themselves the extent of supervision they need to exercise on the IASCF to fulfil their responsibilities. We therefore agree that more detailed description of duties and operating procedures belong to the Charter of the Monitoring Board.

However the Constitution should state that both the IASB and the Board of Trustees report to the Monitoring Board on a yearly basis on how they have carried out their respective missions.

We have supported all along that the Monitoring Board includes « public authorities » as described in the proposed wording under question 4. We therefore regret that members of the Monitoring Board be limited to capital market regulators (please refer to our two previous comment letters).

Question 5

The Trustees seek views on the proposal to amend section 6 “Composition of the Trustees” (to formally mention one Trustee out of Africa and one Trustee out of South America).

Do you support the specific recognition of Africa and South America?

We agree with the change proposed.

Question 6

The Trustees seek views on the proposal to amend section 10 of the Constitution to allow up to two Trustees to be appointed as vice-chairmen of the Trustees.

Do you support the constitutional language providing for up to two Vice-Chairmen?

We agree that the proposal may help the Foundation to adequately meet its duties in serving the public interest on a global, worldwide basis.

Question 7

The Trustees seek views on the proposal to make no specific amendments to sections 13 and 15 but to address the valid and important concerns raised by commentators by way of enhanced accountability, consultation, reporting and ongoing internal due process improvements.

We accept the analysis presented by the Trustees, i.e. that the improvements needed do not require additional duties, but existing duties being carried out more extensively. We would expect that along the Constitution Review the IASCF Trustees publish their action plan for “enhanced accountability, consultation, reporting and ongoing internal due process improvements”.

Question 8

Do you support the changes aimed at encouraging liaison with a broad range of official organisations with an interest in accounting standard-setting?

We agree. We believe the more open the IASCF – and more importantly – the IASB, the higher the quality of the accounting standards it sets.

Question 9

The Trustees seek views on the proposal to amend section 30 of the Constitution to permit the appointment of up to two Board members to act as vice-chairmen of the IASB.

We agree with this proposal.

Question 10

The Trustees seek views on the proposal to amend section 31 to allow for altered terms of appointment for IASB members appointed after 2 July 2009.

The proposed amendment is to allow for Board members to be appointed initially for a term of five years, with the option for renewal for a further three-year term. This will not apply to the Chairman and the Vice-Chairmen, who may be appointed for a second five-year term.

Do you support the change in proposed term lengths?

We welcome shorter mandates for IASB members, as we believe that up-to-date practice is important.

Question 11

The Trustees seek views on the proposal to insert in section 37 of the Constitution an additional subsection to allow the Trustees, in exceptional circumstances, to authorise a shorter due process period. Authority would be given only after the IASB has made a formal request. The due process periods could be reduced but never dispensed with completely.

We agree with this proposal. We observe however that the need to act expeditiously may be identified by others than the IASB. We therefore question why authority would be given only after the IASB has made a formal request. We also approve that due process periods however short never be dispensed completely.

Question 12

The Trustees seek views on the proposal to amend section 37 to expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda.

We believe that such a proposal is heading into the right direction. We support independent standard-setting. However we believe that stakeholders as a whole have relevant views as to what areas of accounting need improvement and what priorities the IASB should set. We therefore do not share the view that the IASB should remain completely independent in its agenda setting. Indeed stakeholders as a whole cannot be identified as protecting specific interests.

We therefore recommend that public consultations be organised prior to setting agenda decisions and strategic orientations, on a more formal basis than releasing SAC agenda papers in advance of SAC meetings. Most stakeholders can react to public consultations launched by the IASB or IASCF. Being proactive in uploading and expressing views on agenda papers is not as widely spread. To avoid unnecessary burden on the IASB, the call for comments could be launched by the SAC, and comments be analysed, summarised and publicly disclosed under the responsibility of the SAC Chairman and Vice Chairmen.

Question 13

Trustees seek views on the proposal to make no amendment to sections 44 and 45 which are the provisions relating to the SAC, at this time.

We understand the reasons why no change should be made to the provisions relating to the SAC, at this time. We reiterate our concern relative to the number of members in the SAC, though.

Question 14

The Trustees seek views on the proposal to amend section 48 by removing specific staff titles and replacing it with the term “the senior staff management team”. Accordingly section 49 should be deleted.

The Trustees also seek comment on the proposal to update the Constitution by removing all historical references that relate to when the organisation was established in 2001.

We agree.

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