



Our Ref.: C/FRSC

Sent electronically to constitutionreview@iasb.org

17 October 2008

IASC Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Attention: Ms. Tamara Oyre, Assistant Corporate Secretary

Dear Sirs,

[IASC Foundation Discussion Document on Review of the Constitution: Public Accountability and the Composition of the IASB - Proposals for Change](#)

The Hong Kong Institute of CPAs is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We welcome the opportunity to provide you with our comments on the captioned Discussion Document. Our responses to the questions raised in your Discussion Document are set out in the Appendix for your consideration.

We welcome this formal review of the IASC Foundation's Constitution. In general we agree with the new proposal to establish structures to ensure public accountability of the IASB and IASC Foundation to public organizations and authorities. We believe that a Monitoring Group is an effective governance system for the IASB. However, it is important to ensure that the Monitoring Group would not undermine the independence of the IASB standard-setting process. We encourage a much clearer division of responsibilities and duties be established between the Monitoring Group and the Trustees. We are aware from the Discussion Document that a Memorandum of Understanding (MOU) will be developed, and, as with the Monitoring Group Charter, we would encourage the Trustees to expose both the MOU and the Charter for public comment. It would enhance the public's and investors' confidence in the Monitoring Group and its activities.

We agree that the proposal of expanding the size of the IASB and introducing geographical diversity can enhance the ability to consult interested parties. However, we note that as use of IFRSs grows it is unlikely that Board members alone will be able to handle all liaison responsibilities directly even if the Board is extended to 16. Accordingly, we would encourage the Board and Trustees to work together to consider how to handle liaison most effectively and whether regional or functional groupings of stakeholders should be sponsored by the IASC Foundation in order to facilitate more effective communication on IFRSs. The Hong Kong Institute of CPAs would be pleased to host these regional or functional groups.



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

If you have any questions on our comments, please do not hesitate to contact me at ong@hkiipa.org.hk.

Yours faithfully,

A handwritten signature in black ink that reads 'Steve Ong'. The signature is written in a cursive, flowing style.

Steve Ong, FCA, FCPA
Deputy Director, Standard Setting Department

SO/WC/ac

Encl.

Hong Kong Institute of CPAs

Comments on the IASC Foundation Discussion Document on *Review of the Constitution: Public Accountability and the Composition of the IASB - Proposals for Change*

Questions related to the Monitoring Group

Q1 Do you support the creation of a link to a Monitoring Group in order to create a direct link of public accountability to official institutions?

We generally support the creation of a Monitoring Group to achieve the objective of enhancing the perceived and actual public accountability of the IASC Foundation and the Trustees through strengthening links with public institutions. However, it is important to ensure that the proposed changes safeguard rather than undermine the independence of the standard-setting process (see paragraph 17) and that neither the Monitoring Group nor the Trustees should, in their oversight, intervene in the IASB's standard setting process.

Q2 The proposals contemplate a Monitoring Group comprising representatives of seven public authorities and international organisations with a link to public authorities. While recognising that the Monitoring Group is an autonomous body, the Trustees would welcome comments regarding the Monitoring Group's membership and whether other organisations accountable to public authorities and with an interest in the functioning of capital and other financial markets should be considered for membership.

We support the proposals that the composition of the Monitoring Group should comprise of representatives of seven public authorities and international organizations with a link to public authorities. We are encouraged to note that the president of the World Bank and the chair of the IOSCO Emerging Markets Committee will be part of this group as these chairs would be in a good position to reflect the issues arising from emerging markets.

Q3 The Trustees will remain the body primarily responsible for the governance of the organisation and the oversight of the IASB. Their responsibility to a Monitoring Group will enable regulatory and other authorities responsible for the adoption of IFRSs to review the Trustees' fulfilment of their constitutional duties. Does the formulation of the Monitoring Group's mandate and the Trustees' reporting responsibilities, as described in the proposed Section 19, appropriately provide that link, while maintaining the operational independence of the IASC Foundation and the IASB?

We generally agree with the reporting responsibilities described in Section 19.

The Discussion Document proposes that the terms of reference for the Monitoring Group would be set out in a Memorandum of Understanding that would be developed following the establishment of the Monitoring Group and

would be made public when completed (see paragraph 16). We believe that this Memorandum of Understanding should be exposed for public comment prior to its finalization.

We would support the proposal that the Monitoring Group approves the Trustee appointments (see paragraph 18) if it is the Trustees proposing candidates for approval after conducting a selection process, rather than the Monitoring Group being involved directly in the recruitment, evaluation and selection of proposed candidates. We believe that this separation will produce an appropriate balance of responsibilities without leading the Monitoring Group to gain complete control over Trustee appointments.

Q4 Given the proposed creation of a Monitoring Group, would there be a continued need for the Trustee Appointments Advisory Group in the selection of Trustees? If so, what should be the role and composition of the Trustees Appointments Advisory Group?

We support the continued existence of the Trustee Appointments Advisory Group. We believe that the Trustees Appointments Advisory Group should continue to be fully responsible for the identification of qualified candidates and to provide independent advice in the nomination process. The Monitoring Group should only be responsible to approve the appointment of Trustees in accordance with the guidelines proposed.

Questions related to the IASB's composition

Q5 Do you support the principle behind expanding the IASB's membership to 16 members in order to ensure its diversity, its ability to consult, liaise and communicate properly across the world, and its legitimacy?

We have no objection if the Trustees believe that this expansion is necessary in order to fulfill the Board's liaison responsibilities effectively. However, we note that as use of IFRSs grows it is unlikely that Board members alone will be able to handle all liaison responsibilities directly even if the Board is extended to 16. Accordingly, we would encourage the Board and Trustees to work together to consider how to handle liaison most effectively and whether regional or functional groupings of stakeholders should be sponsored by the IASCF in order to facilitate more effective communication on IFRSs. The Hong Kong Institute of CPAs would be pleased to host these regional or functional groups.

Q6 Do you agree with the geographical formulation suggested by the Trustees?

We agree with the geographical formulation suggested by the Trustees. We agree that having more representatives from Asian Region will enable a better balance of interests of developed Western and emerging Asian economies. However, it is important to ensure that professional competence and relevant experience should remain paramount criteria for the selection of IASB members as stated in paragraph 19 of the current Constitution and the structuring of geographical formulation should not hinder that principle.



Q7 The Trustees are suggesting that the Constitution should provide flexibility on the matter of part-time membership. Do you support that proposal?

We support the proposal for flexibility in having part-time board membership.