Subject: IASCF Review of the constitution: Identifying issues for Part 2 of the review

Dear Mr Zalm

The Basel Committee on Banking Supervision (the Committee) welcomes the opportunity to provide our views on the International Accounting Standards Committee Foundation (IASCF) invitation to comment on matters related to the IASCF’s Constitution (Constitution). These matters relate to the objectives of your organisation as well as governance and processes related to the IASCF, International Accounting Standards Board (IASB), and the IASB’s Standards Advisory Council (SAC).

Rather than answering each of the thirteen specific questions which you have asked, we have focused our comments on issues that have been identified as being of particular importance to the Committee. These include the “fast track” procedure, improved effectiveness of the IASB’s SAC and the current required geographic distribution of the Trustees.

We appreciate that in cases of great urgency the IASB may need to modify an accounting standard more expediently than through the normal due process, and a “fast track” process may be a good way to address these occasions. If such a procedure is developed, we recommend it include the following elements. The procedure should: 1) be used only in rare circumstances, 2) be temporary (ie until a more rigorously vetted solution has been implemented), 3) include some transparent due process, even if on an accelerated basis, and 4) not result in expedited decisions on issues deserving full-deliberation and due process.

The IASB’s SAC is a key element of the international standard setting process that provides views to the IASB about proposed concepts early in the standard setting process. The Committee appreciates being a part of this forum, particularly with the recently reconstituted SAC. This restructuring allowed for a greater number of individuals from representative organisations. In support of this modified view of participation and to increase the likelihood that the views of all representative organisations can be brought forward at each SAC meeting, we suggest that the IASCF consider removing restrictions for sending a senior alternate representative to meetings. This is particularly important for the representatives of international
organisations. We understand that this approach is not currently prohibited by the Constitution.

Due to the increased number of jurisdictions adopting International Financial Reporting Standards and the need for greater transparency with regard to the standards setting process, the IASB’s interactions with its SAC should become more formalised. For example, summary information could be provided about matters brought forward from the SAC and the responses/views of the IASB regarding those matters.

With broader adoption of IFRS across the world, it may be important for the IASCF to evaluate the current required geographic distribution of Trustees, which is included in paragraph 6 of the Summary of the Constitution, Part A. Specifically, the IASCF may want to consider whether the current required regional distribution is sufficiently diverse to fulfil the duties of the Trustees. While the Constitution does not require a specific regional distribution for the IASB’s SAC membership, it may be useful to evaluate this aspect of the SAC in future considerations of its membership.

These views have been prepared by the Committee’s Accounting Task Force, chaired by Sylvie Mathérat, Director of the Bank of France, and have been approved by the Committee. The Committee trusts that you will find these views useful and constructive. If you have any questions regarding these views, please feel free to contact Sylvie Mathérat (+33 1 4292 6579) or Xavier-Yves Zanota at the Basel Committee Secretariat (+41 61 280 8613).

Yours sincerely,

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