

中国会计准则委员会
China Accounting Standards Committee

September 10, 2008

Mr. Gerrit Zalm
Chairman
International Accounting Standards Committee Foundation
30 Cannon Street, London EC4M 6XH
United Kingdom

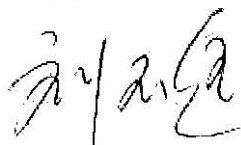
Dear Mr. Gerrit Zalm,

First of all, please allow me, on behalf of the China Accounting Standards Committee (CASC), to express my heartfelt thanks to you and the Trustees of the IASC Foundation under your leadership for your consistent help in the development and implementation of Chinese Accounting Standards.

China fully supports and actively promotes the international convergence of accounting standards, and is willingly to be involved intensively and extensively in the relevant work of IASC Foundation, IASB and its Standards Advisory Council. Recently, the Foundation released a proposal on its website to solicit advice for the Constitution Review, mainly concerning the creation of the Monitoring Group and the composition of IASB. The CASC and I myself have paid great attention to the proposal because it involves future direction of the international convergence of accounting. I would like to represent CASC to express our perspectives on all these issues, to which hopefully will be attached importance by you and the Foundation.

I am looking forward to meeting you in October in Beijing.

Sincerely yours,



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CASC's Reply to the Questions Related to the Constitution Review of IASC Foundation

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?

Reply: In recent years, the IASC Foundation(IASCF) has been playing an important role and achieving great success in promoting international convergence of accounting standards, with the application of International Financial Reporting Standards(IFRSs) being expanded continuously. Therefore, we agree with the proposal of the creation of a Monitoring Group comprising senior officials from renowned organizations on the basis of the Trustees. The Group can facilitate the contact between the IASCF and relevant governments and organizations, as well as oversee the Trustees to operate more effectively for the established objectives and thus better fulfils the IASCF's public accountability for global stakeholders (paragraphs 10-14).

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.

Reply: As for the membership, we argue that public authorities responsible for making decisions on adopting the IFRSs should not necessarily be securities regulatory bodies. Meanwhile we believe the IASCF should represent all stakeholders worldwide instead of only regulators of the securities market in the developed countries. Therefore, we suggest that the chair of the IOSCO Emerging Markets Committee be replaced with representatives from emerging market in other international or regional organizations. In addition, we propose an increased number of representatives from public authorities in charge of decision-makings on adopting the IFRSs and promoting the implementation of IFRSs in local countries or regions (e.g. financial ministries and regulators for the insurance industry and banking industry) (paragraphs 19-20).

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?

Reply: We agree that the Trustees continue to shoulder major responsibility for the governance of the organization. Meanwhile, as for the mandate of the Monitoring Group as described in the proposed Section 19, we hold that the Group should not be endowed with too much power and thus risking the independence of the Trustees. For example, Section 19(a) stipulates that the Monitoring Group is responsible for approving the appointment of the Trustees, we argue however that the mandate of the Group in appointment of the Trustees should be no more than consultation (i.e. maintaining the model of appointing Trustees with the consensus of the Trustees) instead of being empowered to approve the appointment of the Trustees, because otherwise the independence of the Trustees and the IASCF will also be impaired to some extent.

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?

Reply: We believe after the creation of the Monitoring group, there will be no need for the Trustee Appointments Advisory Group so as to streamline the IASCF. As for the role of the Trustees Appointments Advisory Group in selecting the Trustees, it can be fulfilled by the Monitoring Group which can provide consultation for the selection while the approval of appointment still lies in the consensus of the Trustees.

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?

Reply: With the increasing global application of IFRSs, we believe the expanding of

membership is a timely response and will facilitate IASB to liaise and communicate with relevant countries as well as to adopt a new perspective to tackle new issues (paragraphs 24-25).

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

Reply: As to the geographical formulation of the IASB members suggested by the Trustees, we hold that two IASB members appointed from any area should no longer be selected from areas which already have great representation in the Board, so as to prevent the composition of IASB from serving too much interest of certain regions and thus lacking an overall geographical balance (paragraph 26).

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

Reply: We agree that the Constitution should provide flexibility on the matter of part-time membership. However, we suggest the fact that part-time members should be as professionally qualified as full-time ones be emphasized, and a specific rule on the time input for part-time members (e.g. he/she must contribute over half of his/her time to the Board) be identified so as to ensure that they can make their utmost efforts in developing IFRSs (paragraph 30).