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30 November 2009

International Accounting Standards Committee Foundation
30 Cannon Street, London EC4M 6XH
United Kingdom

Re: IASCF Constitution Review Part 2 (Proposals for Enhanced Public Accountability)

Dear Mr Gerrit Zalm:

The Korea Accounting Standards Board (KASB) has finalized its comments on Exposure Draft 'IASCF Constitution Review Part 2'. I would appreciate your including our comments in your summary of analysis.

The enclosed comments represent official positions of the KASB. They have been determined after extensive due process and deliberation.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may direct your inquiries either to me (cwsuh@kasb.or.kr) or to Mr. Sung-ho Joo (sung-ho.joo@kasb.or.kr), researcher of KASB.

Yours sincerely,



Dr. Chungwoo Suh
Chairman, Korea Accounting Standards Board

Cc: Sungsoo Kwon, Director of Research Department

We are pleased to provide comments on the Exposure Draft 'IASCF Constitution Review Part 2 (Proposals for Enhanced Public Accountability)'. Our comments include views from local constituents. We finalized the comment through due process established in the KASB.

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?

We support the change because the title of 'IFRS' is now well-recognized by almost all interested parties around the world. So the change to 'IFRS Foundation' and 'IFRS Board' will make it easier to understand the nature of these organizations.

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 change of the Foundation, the Board and the formal standards developed by the IASB. International Financial Reporting Standards (IFRSs).

Do you support this change?

We support the change as mentioned in our comments for Question 1

Question 3

The Trustees seek views on their proposal to change section 2 as follows:

The objectives of the IASC IFRS Foundation are:

(a) to develop, in the public interest, a single set of high quality, understandable, and enforceable and globally accepted accounting financial reporting standards that require high quality, transparent and comparable information in financial statements and other

financial reporting to help participants in the world's capital markets and other users make economic decisions;

(b) to promote the use and rigorous application of those standards;

(c) in fulfilling the objectives associated with (a) and (b), to take account of emerging economies and, as appropriate, the special needs of small and medium-sized entities and emerging economies; and

(d) to bring about convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards (IFRSs, being the standards and interpretations issued by the IFRS Board) to high quality solutions.

Do you support the changes aimed at clarity?

First, we would like to propose that the objectives explicitly state that relief of preparer's burden and market stability is considered as well.

Second, we believe that the meaning of 'principle-based' needs to be explained, at least, in one of the any official IASCF documents, if not in the Constitution. As the 'principle-based' concept has been promoted as one of the distinct characteristics of IFRS by the IASCF for many years, many constituents would want to have better understanding of the principle of 'principle-based'.

Question 4

The Trustees seek views on the proposal to amend section 3 of the Constitution as follows:

The governance of the IASC IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. A Monitoring Board (described further in sections 18.23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they are empowered to may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of all the Trustees.

Do you support this clarifying amendment?

We agree with the proposed amendment.

Question 5

The Trustees seek views on the proposal to amend section 6 of the Constitution as follows to include one Trustee from each of Africa and South America:

All Trustees shall be required to show a firm commitment to the IFRS ~~IASB~~ Foundation and the IFRS Board ~~IASB~~ as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global ~~accounting~~ financial reporting standards developed for use in the world's capital markets and by other users. The mix of Trustees shall broadly reflect the world's capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:

- (a) six Trustees appointed from the Asia/Oceania region;
- (b) six Trustees appointed from Europe;
- (c) six Trustees appointed from North America; and
- (d) one Trustee appointed from Africa;
- (e) one Trustee appointed from South America; and

(f)(d) two ~~four~~ Trustees appointed from any area, subject to maintaining ~~establishing~~ overall geographical balance.

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

We agree with the specific recognition of Africa and South America.

However, it seems necessary to incorporate some other measures in order to enhance diversity and fair opportunity with respect to geographical allocation of Trustees. Under the current proposals, it is possible that only some leading countries take all of the seats while keeping the other countries from participation. If that is the case, one of the objective of the Constitution would not be achieved, which is to take account of emerging economies.

Alternative 1: seat-rotation

Therefore, we suggest that the Constitution include the requirement that countries within each region have seat-rotation. We understand that some would argue that it is not feasible at this stage citing that it is difficult to select qualified personnel from the countries other than major countries. However, if we admit that more than 100 countries have adopted or converged with IFRS, it is more desirable to encourage newly IFRS-adopted or converged countries to take more responsibility by way of playing leading role. In doing so, IFRS would stand as truly globally accepted accounting standards.

Alternatively, we would also like to propose a modified suggestion factoring in current situation, which is that major countries are allocated with one seat whereas emerging market countries rotate for the remaining seats.

Although this solution may appear to be a segregation policy, it is our belief that we have to admit the reality that a limited number of influential countries have sent their representatives to the Trustees for the last 7 years despite the geographical allocation in the Constitution (please refer to the **Appendix 1: Geographical Distributions of the Trustees**). In this sense, our modified suggestion would be a practical solution to provide many emerging countries with opportunity for participation.

When we take the UN Security Council as an example, we can see that it is composed of 5 permanent members and 10 non-permanent members. We are not insisting that the Trustees should have the similar structure as the UN Security Council for long periods. But we firmly believe that the way of rotating only the emerging market countries is not only better than the current clause but also an interim solution to eventual fair opportunity among countries.

In addition, we argue that geographical distribution of the Trustees should be considered together with that of the other IASCF organizations including IASB, IFRIC, SAC, and Monitoring Board. Unfortunately, these organizations have as scarce geographic dispersion as the Trustees. So it is even more difficult for emerging market countries to have their voices heard at the IASCF and IASB.

If the Trustees acknowledge that the requests and suggestions from emerging market countries will increase going forward, how they would satisfy the increased demands will be an important issue in the near future. Therefore, Trustees need to improve geographic diversity not just for the Trustees per se but for the entire organisations under the IASCF so that the emerging market countries reflect their views on the activities of the IASCF and IASB more efficiently.

Alternative 2: priority for G20 countries

If the alternative 1 cannot be accepted, another way of achieving fairer participation would be to consider G20 countries. In the past, the world economy was overwhelmingly led by G7 countries. But now we notice that the global economy is growing so much interdependent that cooperation of more countries, at least G20 countries, is regarded as essential to tackle global economic issues efficiently.

In this sense, the governance of the IASCF is quite outdated. It is undeniable that the IASCF is dominated by only a few major countries, i.e. G7 countries. So, unless the IASCF has a plan to review the issue of geographical diversity in the near future again, it is high time to revamp the organisation by mandatorily including the representatives of G13 countries plus G7 countries. This will be the quickest and fastest way to improve geographical imbalance.

Alternative 3: consideration of funding countries

For alternative 3, we propose that funding countries be considered first for the seats of the Trustees or the other IASCF organizations. In the case of Korea, under this voluntary funding commitment system, it would get harder to solicit voluntary donation from local constituents if there is no representative of Korean nationality in the Trustees and other organizations.

Question 6

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

The Chairman of the Trustees, and up to two Vice-Chairmen, shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. With the agreement of the Trustees, regardless of prior service as a Trustee, the appointee may serve as the Chairman or a Vice-Chairman for a term of three years, renewable once, from the date of appointment as Chairman or Vice-Chairman.

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

We think that the roles and responsibilities of Chairman and Vice-Chairman need to be stated clearly at least as described in Section 30 for the role of IASB Vice-Chairman.

In addition, you may consider changing the title of ‘Chairman’ and ‘Vice-Chairman’ to ‘Chair (or Chairperson)’ and ‘Vice-Chair (or Vice-Chairperson)’ respectively to acknowledge the importance of gender equality.

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.

As the consideration of emerging economies and SMEs is clearly stated for the objectives of the IASCF, it would be necessary to include a paragraph in the Constitution that the IASCF should monitor whether the IASB is properly considering the demands from them.

Question 8

Section 28 would be amended as follows:

The IASB IFRS Board will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters and other official bodies concerned with an interest in standard-setting in order to assist in the development of IFRSs and to promote the convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards IFRSs.

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

We support the change. In addition, we think it important now to document the structure and procedure with respect to cooperation with national standard setters in any one of the official materials of the IASCF.

For example, by creating subcommittees under the IFRIC, the IFRIC would have closer cooperation with national standard setters through the subcommittees. Or a procedure can be set up that working group activities are delegated to national standard setters.

Question 9

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

The Trustees shall appoint one of the full-time members as Chairman of the IASB IFRS Board, who shall also be the Chief Executive of the IASC IFRS Foundation. One Up to two of the full-time members of the IASB IFRS Board shall may also be designated by the Trustees as a Vice-Chairman, whose role shall be to chair meetings of the IASB IFRS Board in the absence of the Chairman or to represent the Chairman in external contacts

in unusual circumstances (such as illness). The appointment of the Chairman and the designation as Vice-Chairman shall be for such term as the Trustees decide. The title of Vice-Chairman would not imply that the individual member (or members) concerned is (or are) the Chairman-elect.

We agree with the proposed change.

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 Vice-Chairman, who may be appointed for a second five-year term. The Chairman or Vice-Chairman may not serve for longer than ten consecutive years.

The proposed amendments to section 31 are as follows:

Members of the IASB IFRS Board appointed before 2 July 2009 shall be appointed for a term of up to five years, renewable once for a further term of five years. Members of the IFRS Board appointed after 2 July 2009 shall be appointed initially for a term of up to five years. Terms are renewable once for a further term of three years, with the exception of the Chairman and a Vice-Chairman. The Chairman and a Vice-Chairman may serve a second term of five years, but may not exceed ten years in total length of service as a member of the IFRS Board.

Do you support the change in proposed term lengths?

We are of the view that reducing the terms further is necessary in order to have professionals with up-to-date practical experience participate in the Board.

So it is necessary to reduce the length of service to a term of three years for both the first term and the second term. Also, we prefer this rule is applied to Chairman and Vice-Chairman as well.

This is the same as the length of service for the Board members of IAASB (International Audit and Assurance Standards Board) under the IFAC (International Federation of Accountants)¹⁾.

¹⁾ <IAASB Terms ref.> www.ifac.org/IAASB/

Question 11

The Trustees seek views on the proposal to insert in section 37 (to become section 38) of the Constitution an additional subsection as follows to allow the Trustees, in exceptional circumstances, to authorise a shorter due process period. Authority would be given only after the IASB had made a formal request. The due process periods could be reduced but never dispensed with completely.

The IASB IFRS Board shall:

(a) ...

(b) ...

(c) in exceptional circumstances, and only after formally requesting and receiving prior approval from the Trustees, reduce, but not eliminate, the period of public comment on an exposure draft below that described as the minimum in the Due Process Handbook.

We do not support the Trustees' proposal that it has the authority to reduce public comment period on an exposure draft.

As is mentioned in the proposal, there is already a 'fast-track' procedure in the IASB Due Process Handbook that allows a 30 day accelerated process for public consultation. So we do not see any benefit of the possibility to reduce this period, although the Trustees put a phrase 'in exceptional circumstances'. Non-English using countries like Korea would not properly provide comments on an exposure draft if the comment period is reduced less than 30 days. Besides, if these countries are IFRS-adopted countries, it would be extremely difficult to amend the standards within such a short period of time.

Additionally, to resolve the difficulties of non-English countries for translation, it seems necessary to specify that pre-ballot draft should be shared with national standard setters to allow sufficient translation period.

Question 12

The Trustees seek views on the proposal to amend section 37(d) (to become section 38) of the Constitution as follows to expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda.

The IASB IFRS Board shall:

(c)(d) have full discretion in developing and pursuing the technical agenda of the IASB IFRS Board, after consulting the Trustees (consistently with section 15(c)) and the SAC

(consistently with section 44(a)), and over project assignments on technical matters: in organising the conduct of its work, the IASB IFRS Board may outsource detailed research or other work to national standard-setters or other organisations;

We support the change that the IASB should consult the Trustees and the SAC.

In addition, it is necessary to consider establishing an organisation which deals with emerging issues, like EITF within the FASB because as more and more countries are adopting the IFRS, urgent issues from many newly IFRS-adopted countries will arise.

In that sense, the role of IFRIC should be expanded and strengthened by having permanent members and holding regular meetings more often.

Question 13

Trustees seek views on the proposal to make no amendment to sections 44 and 45 (renumbered as 45 and 46), which are the provisions relating to the SAC, at this time.

It is necessary to specify the role of the SAC and strengthen the role by stipulating that the SAC is required to provide advice on the IASB's standard-setting.

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.

No comment.

Appendix 1. Geographical distribution of the Trustees

Trustees of the IASCF

Region	Country	2002	2003	2004	2005	2006	2007	2008
Asia/Oceania(6)	Japan	2	2	3	2	2	2	2
	Australia	1	1	1	1	1	1	1
	Hong Kong	1	1	1	1	1	1	1
	India				1	1	1	1
	China				1	1	1	1
Sub Total		4	4	5	6	6	6	6
Europe(6)	UK	1	2	1	1	1	1	1
	France	1	1	1	1	1	1	1
	Germany	1	1	1	1	1	1	1
	Italy	1	1	1	1		1	1
	Denmark	1	1	1	1			
	Netherland	1	1	1	1	1	1	1
	Spain			1	1	1	1	1
	Swiss			1	1	1	1	1
	Poland					1	1	1
Sub Total		6	7	8	8	7	8	8
North America(6)	US	5	5	5	4	5	5	5
	Canada	1	1	1	1	1	1	1
Sub Total		6	6	6	5	6	6	6
Africa(1)	South Africa	1	1	1	1	1	1	1
South America(1)	Brazil	1	1	1	1	1	1	1
Other	Int'l org	1	2	1	1	1		
Total		19	21	22	22	22	22	22