



THE CHAIRMAN

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

Constitutionreview@iasb.org

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Re: International Accounting Standards Committee Foundation Review of the Constitution

The Committee of European Securities Regulators (CESR) welcomes the opportunity to respond to the International Accounting Standards Committee Foundation (IASCF) regarding the first part of the review of the Constitution.

CESR appreciates the consultation on the review of the constitution for IASCF and hereby reacts to the formal proposals. This first part of the Constitutional Review is limited to deal with two aspects of the Constitution: the creation of a Monitoring Group for the Trustees and the composition of the IASB. In this context, we provide below our remarks regarding the first one.

- CESR supports the creation of a Monitoring Group, as in the view of CESR a Monitoring Group will work towards enhancing the confidence in the governance of the IASB. The creation of a Monitoring Group is a critical issue for CESR, as CESR is the organisation grouping the largest and most experienced block of IFRS enforcers in the world, who are in charge of supervision of the accounts of listed companies as competent authorities and delegated bodies under the Transparency Directive in Europe. Enforcement of IFRS is conducted both by CESR members and other EEA enforcers through the CESR sub group of European Enforcement Coordination Sessions (EECS). In that capacity our members and the other EEA enforcers that are members of EECS take supervisory responsibilities vis-à-vis the investors of the European Union and beyond. Therefore, for CESR the proper functioning of the IASB and the standard setting process is a matter of paramount importance.
- CESR has strong concerns regarding the composition of the Monitoring Group as set out the consultation paper paragraph 20. As the organisation in Europe that represents European enforcers and securities regulators, CESR plays a key role in ensuring the proper functioning of capital and other financial markets. In paragraph 20 it is stated that *“the membership of the Monitoring group should reflect the balance of the world’s capital markets. Membership of the Monitoring Group should also reflect ... international institutions that have accountability requirements to public authorities and play an active role in promoting the transparency of financial reporting and the development and effective functioning of capital markets.”* According to the list of members provided in paragraph 20, the EU securities regulators and enforcers would not be represented in the Monitoring Group. CESR comprises the supervisory authorities of the European Economic Area charged with protecting investors and supervising capital markets. Therefore CESR members and other



EEA members charged with the enforcement of IFRS play a very active role throughout Europe in promoting the transparency of financial reporting and have also an obvious and undeniable interest in safeguarding investors' confidence in the effective functioning of capital markets. CESR therefore considers it as a natural development that the Trustees are also accountable to the European enforcers and securities supervisors.

- CESR would also like to highlight that the CESR members as enforcers of IFRS in Europe hold a unique position regarding IFRS which other European organisations do not have. No other organisation in Europe is charged with responsibilities under Community Law – the IAS regulation and the Transparency Directive – to work towards consistent application of IFRS, and CESR is therefore of the opinion that this unique position is not comparable with the responsibilities of other organisations in the European Union.
- As far as the European Union is concerned, CESR considers that the composition of the Monitoring Group should reflect the split of powers in the EU between the European Commission and CESR members. The current proposal would imply leaving out from the Monitoring Group the viewpoint of the EU securities supervisors who bear the primary responsibility for the enforcement of the whole set of accounting standards as issued by the IASB. Furthermore, directly involving CESR in the discussions would considerably reinforce the authority and legitimacy of the Monitoring Group as its composition would more effectively reflect the actual geographical spread of the actual use of the IFRS by listed companies.
- As a consequence, it is essential to ensure the adequate representation of the interests of the EU securities regulators. Therefore CESR proposes to amend the envisaged composition of the Monitoring Group to include a CESR representative.

We would welcome the opportunity to discuss these issues with you in further detail. If you have any questions please do not hesitate to contact either myself, Fernando Restoy, Chairman of CESR-Fin, or Carlo Comporti, Secretary General of CESR.

Yours sincerely,

Eddy Wymeersch