

# ZENTRALER KREDITAUSSCHUSS

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10178 Berlin, 12 September 2008  
Burgstraße 28  
AZ ZKA: IASB  
AZ BdB: H 3.9 - Sü/Slk

## **Comments of the Zentraler Kreditausschuss on the discussion document “Public Accountability and the Composition of the IASB – Proposals for Change”**

Dear Ms Oyre,

The German banking industry would like to thank the International Accounting Standards Committee (IASC) Foundation for the opportunity to comment on its discussion document “Public Accountability and the Composition of the IASB – Proposals for Change”.

Comparable and globally recognised international financial reporting standards (IFRS) make an important contribution to the integration and efficiency of the capital markets. The International Accounting Standards Board (IASB) has a key role to play in this respect in its capacity as an international standard-setter. IFRS are now used in over 100 countries around the world and in many jurisdictions the IASB has assumed a quasi-legislative function. This means that the integrity, reputation and neutrality of the IASB are crucially important. We therefore warmly welcome and strongly support the IASC Foundation’s endeavours to enhance the public accountability of the IASB and refine the management structure of the Foundation. Enshrining the principle of the IASB’s accountability to stakeholders in the area of interna-

tional financial reporting would do much to promote the worldwide acceptance of the Board and of the standards it adopts.

Our comments on the measures proposed by the IASC Foundation Trustees are as follows:

### **Question related to the Monitoring Group**

**Q 1 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?**

The creation of a direct link to a Monitoring Group has the potential to enshrine the principle of public accountability in the IASC Foundation. The extent to which this principle translates into practice will depend on the composition and authority of the group. We believe the Monitoring Group should be given wide-ranging authority and political responsibility.

**Q 2 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.**

Establishing an autonomous monitoring body outside the IASC Foundation has the potential to enhance the governance of the Foundation while safeguarding the independence of the IASB. We welcome the fact that the number of members will be kept to a manageable level. This will help significantly to ensure that the group can work efficiently and effectively. We do not, by contrast, understand the rationale behind the proposed composition of the group. It would be helpful if the Trustees would explain why the organisations in question have been singled out for representation in the group. We have the impression that the Monitoring Group is to be comprised primarily of representatives from bodies responsible for regulating capital markets. There is no doubt that such bodies have a key role to play in creating an internationally accepted accounting regime for listed companies. It is nevertheless open to question whether organi-

sations which are responsible for setting standards in individual jurisdictions and for adopting IFRS would be adequately represented. Furthermore, we believe that the composition of the Monitoring Group should reflect the importance of IFRS in various jurisdictions. Regions in which the application of IFRS is already mandatory, such as Europe – currently the world’s biggest user of IFRS, should be given appropriate representation in the group. The proposed composition should be reviewed with these aspects in mind.

**Q 3 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?**

In our view, the proposed division of responsibilities between the Trustees and the Monitoring Group basically has the potential to forge an appropriate link between the IASC Foundation and the relevant competent authorities while at the same time safeguarding the independence of the IASC Foundation and the IASB. However, we believe the group should be involved more closely than is currently envisaged in selecting and nominating Trustees and should be consulted at an early stage when setting the IASB’s agenda and work programme.

**Q 4 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 believe the Trustee Appointments Advisory Group should be retained for the time being to assist with the selection process up to the stage where a final decision is made. The role of the group would be to organise and support the selection process to fill vacancies for Trustees and thus lay the groundwork for the Monitoring Group’s decisions. After two or three years, the continuing need for the Trustee Appointments Advisory Group could be reviewed.

**Question related to the IASB's composition**

**Q 5 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 welcome the fact that the key criteria for selecting Board members will continue to be professional expertise and extensive practical experience. Given the ever growing number of countries using IFRS, increasing the number of Board members to 16 is a logical step. We agree with the Trustees' argument that raising the number of members will make it easier to achieve a good balance of different professions and geographical backgrounds. It should nevertheless be borne in mind that the Board will only be able to function efficiently and effectively if the number of members remains manageable. We therefore consider 16 to be more or less the upper limit.

**Q 6 Do you agree with the geographical formulation suggested by the Trustees?**

Many German banks have long called for the introduction of a fixed geographical formula for the composition of the Board. In principle, therefore, we welcome this idea. The formula proposed in the discussion document, however, would not eliminate the oft-criticised dominance of countries with an Anglo-American accounting tradition. Nor would it bring about the desirable greater involvement of regions where IFRS are already mandatory, such as Europe. User countries not only have a strong interest in ensuring that standards are practicable and of high quality, but can also offer a great deal of expertise and extensive experience in applying IFRS. Appropriate representation of these countries on the Board would allow greater use to be made of this expertise to the benefit of the quality of the IASB's work.

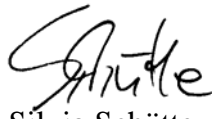
**Q 7 The Trustees are suggesting that the Constitution should provide flexibility on the matter of part-time membership. Do you support that proposal?**

We support the proposal to allow a certain amount of flexibility on part-time membership of the IASB. Such an approach is a sensible and practicable way of attracting highly qualified candidates with extensive expertise and practical experience.

Yours sincerely  
on behalf of the Zentraler Kreditausschuss,  
Bundesverband deutscher Banken



Dirk Jäger



Silvia Schütte