



**The Quoted
Companies Alliance**

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Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
Email: constitutionreview@iasb.org

31 March 2009

Dear Ms Oyre,

Review of the Constitution – Identifying Issues for Part 2 of the Review

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation dedicated to promoting the cause of smaller quoted companies (SQC), which we define as those 2,000+ quoted companies outside the FTSE 350 (including those on AIM and PLUS) representing 85% of the UK quoted companies by number. Their individual market capitalisations tend to be below £500m.

The QCA is a founder member of EuropeanIssuers, which represents over 9,000 quoted companies in thirteen European countries.

RESPONSE

We have pleasure in responding to your requests for comments on the IASC Foundation Discussion Document of December 2008.

Overall, we believe this discussion document is a step in the right direction and the proposed changes will enhance the governance of the IASB. However, we would point out that governance is not solely about the written objectives and aims of the foundation. As important, if not more so is the tone, attitude and perceived independence of the foundation and the ability to restore the trust in governments and the SEC that has clearly been undermined if not lost in the last year.

1. Complexity

The QCA still believe there is too much complexity in accounts and that simplification should be part of the IASB's principles-based approach and in its objectives. In this regard the QCA believe that Smaller Quoted Companies (SQC) could potentially choose to either use the global standard or one that is more appropriate, such as IFRS for Private Entities. We understand that this would need approval by local markets and regulators, e.g. the London Stock Exchange for AIM companies.

2. Governance of the IASB

The QCA welcomes the move by the IASB to bring more analysts and users onto the Board, and the efforts they are making to consult with special interest groups, users and analysts more systematically. We suggest that the IASB should consider involving more users throughout the entire process and gathering input in the initial stages, rather than just when a consultation is published.

In addition we have provided more detailed comments on questions which are relevant to our members.

Objectives of the organisation

1. Does the emphasis on helping 'participants in the world's capital markets and other users make economic decisions', with consideration of 'the special needs of small and medium-sized entities and emerging economies', remain appropriate?

Our members welcome the focus on the needs of smaller companies – however to date we have not seen any clear examples of this action.

2. Should the Constitution make specific reference to the emphasis on a principle-based approach?

Yes

3. The Trustees and the IASB have limited their focus primarily to financial reporting by private sector companies, partly because of the need to set clear priorities in the early years of the organisation. The Trustees would appreciate views on this point and indeed whether the IASB should extend its remit beyond the current focus of the organisation.

We are content with the current focus.

Trustees

6. The Trustees are appointed according to a largely fixed geographical distribution. Is such a fixed distribution appropriate, or does the current distribution need review?

Geography should be only one component. At present the make-up appears to more about the politics than getting the right people.

7. The Trustees would welcome comments on Sections 13 and 15, and more generally on the effectiveness of their oversight activities.

These are fine in principle but it is the manner in which they are delivered that is critical.

International Accounting Standards Board

10. The Constitution describes the principles and elements of required due process for the IASB. The IASB's procedures are set out in more detail in the *IASB Due Process Handbook*. If respondents do not believe the procedures laid out in the Constitution are sufficient, what should be added? If respondents believe that the procedures require too

much time, what part of the existing procedures should be shortened or eliminated? The Trustees would also welcome comments on recent enhancements in the IASB's due process (such as post-implementation reviews, feedback statements, and effect analyses) and on the *IASB Due Process Handbook*.

We welcome the changes to the IASB process but need to see it happening in practice before commenting on whether more is required. However, we would suggest that the Trustees report back at least once a year on the performance of the IASB in this area having sought out views from preparers and users.

11. Should a separate 'fast track' procedure be created for changes in IFRSs in cases of great urgency? What elements should be part of a 'fast track' procedure?

Yes but it should have similar due process so it is not seen as a reaction to political pressure as the last 'fast track' procedure clearly was.

If you wish to discuss these issues with us, we will be pleased to attend a meeting.

Yours sincerely,

A handwritten signature in black ink that reads "John Pierce". The signature is written in a cursive style and is underlined with a single horizontal line.

John Pierce
Chief Executive