

A response to the
IASC Foundation Consultation Paper
by the
UK Society of Investment Professionals

About UKSIP

The UK Society of Investment Professionals (“UKSIP”) is a professional organisation whose main aim is to foster and maintain high standards of professional ability and practice in investment analysis, portfolio management and related disciplines. UKSIP currently has 5,000 members who work or have an interest in the UK financial services industry. Most members hold either the ASIP, CFA or recently introduced IMC designation. The ASIP designation is held primarily by those who successfully completed UKSIP’s former Associate examination, which was similar to the CFA. UKSIP is the UK-based member society of the CFA Institute, the organisation that develops and administers the Chartered Financial Analyst (CFA[®]) Program.

UKSIP also develops and administers the Investment Management Certificate, the benchmark qualification for those working in investment management in the UK. The Investment Management Certificate is held by over 15,000 investment professionals.

Response

UKSIP has for many years enthusiastically supported and endorsed the Foundation and the International Accounting Standards Board in the task of establishing a single set of high quality, understandable and enforceable global accounting standards. The benefits to the financial markets of this work are considerable. Individual sets of national standards of varying quality, relevance and comprehension impose an unacceptable cost on the financial markets. This leads, UKSIP believes, to inappropriate allocations of and in a higher than necessary cost of capital. UKSIP congratulates the Trustees and the Board on the very considerable progress that has been achieved to date.

It is completely appropriate that the Trustees now review the workings of the Constitution established in 2000. Although UKSIP does not propose to respond in detail on all ten points raised in the consultation document, there are three particular matters which the Society, as a representative body of users of accounts would like to emphasise.

First, topic 5 relates to the composition of the IASB itself. The Board’s proposals de-emphasise the technical expertise of board members and wish to introduce people with “expertise and diversity of international business and market experience”. UKSIP believes that this proposal, if enacted, could undermine the very high standard of technical competence for which the Board has rightly become renowned. In this event, it would have adverse consequences for the whole international standards setting process.

Some commentators may have suggested that the Board's focus on technical expertise has resulted in a less than desirable concentration on the issues of practicality and relevance in financial reporting. UKSIP's view is that this is mistaken. The Society would like to emphasise that in its own direct experience, the IASB has always sought to liaise with constituents to ensure that financial reporting was relevant and understandable, as well as being technically appropriate. Indeed the changes you proposed to make the Standards Advisory Council more effective should address such concerns without requiring changes to the nature of the membership of the IASB. UKSIP does not, therefore, support the proposals as outlined in Paragraphs 77 and 80 and is of the opinion that technical expertise should remain the primary criterion for membership of the Board.

Secondly, topic 3 relates to the oversight role of the trustees. As the Trustees are aware, some respondents have called for them to have the power to approve - and by implication effectively set - the Board's agenda. UKSIP considers this to be a wholly inappropriate suggestion, in the context of a board, such as the IASB, operating as the appointed technical decision making body. UKSIP would encourage the Trustees to make it quite clear that its developing oversight role of the Board will not involve it moving in any such direction. Moreover, in requiring the Board to consult adequately, the Trustees should be mindful of the fact that consultation of itself cannot necessarily be a means of achieving either consensus or compromise. High quality international accounting standards will not evolve successfully from a process that sees consultation purely as a means of a compromise agreement. In the final analysis, if the IASB believes a particular approach to be correct, it must proceed on that basis, even if some may disagree.

Thirdly, topic 8 relates to the IASB's voting procedures. The consultation paper provides no evidence that the current system of a simple majority is failing to work acceptably. Indeed, many commentators continue to support its retention. UKSIP supports the retention of a simple majority, on the grounds that the existing system is working perfectly adequately and there would appear to be no grounds, on a practical basis, to require any change.

UKSIP

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