

4 April 2011

Mr Masamichi Kono  
Acting Chairman  
IFRS Foundation Monitoring Board

*(Submitted via email)*

Dear Sir

**RESPONSE TO THE CONSULTATIVE REPORT: REVIEW OF THE IFRS FOUNDATION'S GOVERNANCE**

The Singapore Accounting Standards Council (ASC) appreciates the opportunity to comment on the Consultative Report on the *Review of the IFRS Foundation's Governance*, issued by the IFRS Foundation Monitoring Board on 7 February 2011.

**General comments**

2. In the last decade the IFRS Foundation has made significant progress towards achieving its goal of developing a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. More than 100 jurisdictions around the world already adopt or permit IFRS reporting, and the other remaining major economies have established timelines to converge with or adopt IFRSs in the near future. In addition, the US Financial Accounting Standards Board (FASB) and the IASB have pledged the convergence of the IFRS and the US GAAP. This clearly demonstrates that the IFRS is being globally recognized as the international standard.

3. In order for the public to have full confidence in the IFRS-setting process, there must be a proper governance structure in place to ensure that the IFRS-setting process is accountable to the stakeholders, and independent of external and political influence. We appreciate that the Monitoring Board was established to provide such public accountability as defined by the Board's mandate, which is to independently **monitor** and **scrutinize** the various due processes of the Foundation. Accordingly, we do not support widening the role of the Monitoring Board by additionally engaging in executive functions that includes involvement in the agenda setting or appointment of IASB members, and we have responded accordingly to the questions in the Consultative Report.

4. Our comments on the specific questions in the Consultative Report are as follows:

**Question 1:**

*Do you agree with the proposal to urge concrete efforts to deepen the pool of candidates for IASB membership from diverse geographical and professional backgrounds? Please provide reasons for your agreement/disagreement.*

5. We agree that there is a need to deepen the pool of candidates for IASB membership to ensure a diversity of views from different geographical areas, professional backgrounds and stakeholder groups, which would add to the breadth of discussions by the IASB and enhance the standard-setting process. In particular, we are of the view that there is an increasing need for greater representation of the smaller and emerging markets from regions such as Asia, where more and more jurisdictions are adopting IFRS.

**Question 2:**

*Do you agree with the proposal to separate the roles of the IASB Chair and the CEO of the IFRS Foundation, and if so would you have suggestions on how to formalize this? Please provide reasons for your agreement/disagreement.*

6. We agree that it may be best if the roles of the IASB Chair and the CEO of the IFRS Foundation are separated. Firstly, this would help to prevent any conflicts of interests (perceived or otherwise) between the IFRS Foundation and the IASB, which is subject to oversight by the former. Secondly, both roles have heavy responsibilities and require full-time commitment. It would hence be better if the IASB Chair can focus on the standards-setting process and activities, while the CEO can work with the Chief Operating Officer to manage the administration of the organisation. The division of responsibilities between the IASB Chair and CEO should be clearly established in writing and disclosed publicly, for greater transparency and accountability.

**Question 3:**

*Do you agree that clearer division of responsibility between staff dedicated to the IASB operations and staff dedicated to the Foundation's administrative and oversight functions should be considered, and if so would you have suggestions on how to formalize this? Please provide reasons for your agreement/disagreement.*

7. We agree that there should be clearer division of duties and responsibilities between staff dedicated to technical projects and staff dedicated to the Foundation's administrative and oversight functions. This would prevent conflicts of interest that may surface during the course of the work. There should also be separate and clearly defined reporting lines for the staff.

**Question 4:**

*Please provide comments on any aspects of Trustee composition or appointments that you believe the Monitoring Board should consider.*

8. We note that currently, there is a disproportional representation of North America on the Monitoring Board, Trustees and IASB, although the United States of America (USA) has yet to converge with the IFRS. Given the significance of the USA in the global capital markets arena, we urge the US Securities and Exchange Commission and the FASB to accelerate on the process of convergence, in order to facilitate and promote the quality, consistency and comparability of financial reporting around the world. We also suggest reviewing the geographical distribution on a regular basis, possibly in conjunction with the five-yearly Constitution reviews, so as to reflect changes and developments in the world economy that may have taken place during this period. However, besides having representatives from the developed economies appointed as Trustees to represent their region, there should also be appointment of Trustees representing the smaller and emerging markets, so as to ensure better diversity of views and perspectives.

**Question 5:**

(1) *Do you agree with the proposal to provide increased transparency into the process for Trustee nominations? Please provide reasons for your agreement/disagreement. To what extent should the Monitoring Board be involved in the nomination process?*

(2) *Do you agree that further clarification of criteria for the Trustees' candidacy would help support confidence of the stakeholders? Please provide reasons for your agreement/disagreement.*

9. We are of the view that the roles and responsibilities of the Trustees Nomination Committee and the Monitoring Board in the Trustee nomination process are unclear, and there should be greater transparency on the entire nomination and appointment process. While we agree that the Trustees should consult with the Monitoring Board and other key international organisations during the nomination process, the Monitoring Board should not be treated any differently from all other stakeholders during the nomination stage. The decision to appoint a Trustee should ultimately lie with the Trustees. Greater transparency on the entire Trustee nomination process, including criteria for candidacy, would help to increase stakeholder confidence in the independency of the process.

**Question 6:**

(1) *Should the membership of the Monitoring Board continue to be confined to capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions?*

(2) *Do you agree with the proposal to expand the Monitoring Board's membership by adding a mix of permanent members ([four]) representing primarily major emerging markets and rotating members ([two]) from all other markets? Please provide reasons for your agreement/disagreement. How should the major markets be selected? Should a jurisdiction's application of IFRSs and financial contribution to standard-setting play a role?*

(3) *Do you agree that rotating members should be selected through IOSCO? Please provide reasons for your agreement/disagreement.*

10. We are of the view that the public interest to which the IFRS Foundation is charged with serving is broader than just the international capital markets. There are other relevant stakeholders such as the prudential regulators, the auditors, the tax authorities, the national accounting standard-setters, the preparers and users of financial statements, etc. The membership of the Monitoring Board should therefore reflect this diversity of stakeholders, and could include organisations such as the Financial Stability Board (FSB) and the International Federation of Accountants (IFAC).

11. However, if the decision is taken to restrict the membership of the Monitoring Board to capital market authorities, we agree that there should be a diversity of representation in order to engage member countries which have implemented IFRS so as to draw in a range of expertise and a fresh perspective on the Board's activities. We are of the view that those jurisdictions which have adopted IFRSs or have committed to a timeline for adoption of IFRSs, should play a greater role towards deciding on the membership of the Monitoring Board. However, financial contribution should not be a deciding factor, as it may then lead to questions of independence and conflicts of interest.

**Question 7:**

*Do you agree that the Monitoring Board should continue to make its decisions by consensus? Please provide reasons for your agreement/disagreement. Are there any types of decisions taken by the Monitoring Board for which voting other than by consensus (for example, by qualified majority) may be appropriate? If so please describe why and suggest an appropriate voting mechanism.*

12. We agree, to the extent that the size of the Monitoring Board remains manageable so that making decisions by consensus is feasible. We would also suggest that any dissenting views at meetings be made public in the minutes, for greater transparency.

**Question 8:**

*To ensure increased involvement of public authorities and other international organizations in Monitoring Board activities, do you support the Monitoring Board (a) expanding the number of Monitoring Board observers, (b) holding more formalized dialogue, or (c) establishing an advisory body, and on what basis? What should be the criteria for selecting participants?*

**Question 9:**

*Do you believe that the current arrangements for the standard-setting process adequately ensure the appropriate involvement of all relevant stakeholders and that all relevant public*

*policy objectives are taken into account? Please provide reasons for your agreement/disagreement.*

13. We have earlier highlighted our view that the membership of the Monitoring Board should include other key stakeholders such as public authorities and international organisations. For organisations which would like to be more involved in the standards-setting work of the IASB, they could join the IFRS Advisory Council, which advises the IASB on a range of issues, including work plan and agenda.

14. We applaud the IASB's efforts to increase the number of roundtable meetings and outreach sessions to reach out to stakeholders and gather views, particularly in the Asian region. Furthermore, we recommend that the IASB could engage national accounting standard-setters in the standard-setting process through providing local implementation guidance, where necessary. As the national accounting standard-setters are familiar with the legal framework and the business and economic environment in their respective jurisdictions, such guidance, which the IASB could endorse, may be relevant for consistent and robust implementation of the standards that will reflect the underlying economic substance reported.

**Question 10:**

*What are the appropriate means and venues for the Monitoring Board to enhance the visibility and public understanding of its activities?*

15. We are of the view that the Monitoring Board's discussions and minutes of meetings should be made publicly available on the IFRS Foundation website, to provide proper visibility and connection between the work of the Monitoring Board and the activities of the IFRS Foundation. Members of the Monitoring Board could also participate in the key international annual conferences, such as the World Standard-Setters Meeting in London and the IFRS Regional Policy Forum in Asia, so that it could share its views on the accounting standards setting process, while concurrently promoting greater understanding of its work.

**Question 11:**

*Do you believe that the current arrangements for Monitoring Board involvement in the IASB's agenda-setting are appropriate, or should the Monitoring Board have an explicit ability to place an item on the agenda, or would you consider other alternatives that would enhance the Monitoring Board involvement in the IASB agenda setting? Please provide reasons.*

16. We are of the view that the Monitoring Board should not have an explicit ability to place an item on the agenda unilaterally, as it could damage public confidence in the standard-setting process by being perceived as an infringement on the independence of the IASB. However, this does not preclude the Monitoring Board from holding discussions with the IASB on current financial reporting issues and offering their views. There are also other channels to provide views on the IASB agenda, such as through the IFRS Advisory Council. The IFRS Advisory Council comprises a diverse group of some 40 members from different

organisations and jurisdictions, and is well-placed to provide feedback to the IASB on agenda items. It is also noted that the member organisations of the Monitoring Board are also represented in the IFRS Advisory Council, either as a member or as an observer.

**Question 12:**

*Do you have concrete suggestions on how the Monitoring Board or the Trustees could encourage a move towards a more stable and independent funding model?*

17. It remains to be seen if a mandatory levy system could be imposed on the different countries using the IFRS, considering that there is no consensus currently on this matter. In the meantime, all countries should continue to contribute within their means. We would also encourage more central banks, accountancy firms and international accountancy networks to contribute to the funding of the IFRS Foundation.

**Question 13:**

(1) *Do you believe that the Monitoring Board should have a more prominent role in the selection of the IASB Chair? Do you agree with the proposal that the role include involvement in establishing a set of publicly disclosed criteria for the Chair, and assessment of a short list of candidates against those criteria? Please provide reasons.*

(2) *Do you believe that the Monitoring Board should be given any further, specific role in the selection of the IASB Chair? In particular, should the Monitoring Board approve the Trustees' final selection? Please provide reasons.*

**Question 14:**

*Do you agree that the Monitoring Board's responsibilities should explicitly include consultation with the Trustees as they further develop the framework to ensure proper balance in the composition of the IASB? Please provide reasons for your agreement/disagreement.*

18. We are of the view that the Monitoring Board should not have a more prominent role in the selection of the IASB Chair, as this would again lead to a public perception of interference with the independence of the IASB. The Board should be scrutinising the nomination process to ensure a fair process, and could also be given the responsibility of establishing a set of publicly disclosed criteria for selection of the IASB Chair, but should not have a direct say in the final selection of the Chair. While the Board could give its views on candidates to the Trustees for consideration, the Trustees would have the final decision on who to appoint.

19. Similarly, the Monitoring Board could share their views with the Trustees on the framework on the composition of the IASB, but the actual nomination and selection process should be left to the Trustees to handle.

**Question 15:**

*Do you agree with the proposal to consider establishing a permanent secretariat for the Monitoring Board to support its increasing roles in overseeing the governance of the standard-setter? Would you support this proposal even if it would require additional financial contributions from stakeholders? Please provide reasons.*

20. We do not believe that there is a need to establish a permanent secretariat for the Monitoring Board, given our views that the Monitoring Board's role is to oversee the governance of the standard setter, and not be directly involved in the activities undertaken by them. However, should the scope of the Monitoring Board's work increase or change, a permanent secretariat may be required.

**Question 16:**

*Do you agree with the need for regular reviews, and the interval of five years as a benchmark? Should the reviews be aligned with the timing of the Foundation's mandated Constitution reviews? Please provide reasons for your agreement/ disagreement.*

21. We agree that there should be a periodic formal review, and the timing could be aligned with the Foundation's five-yearly Constitution reviews. This would facilitate a more comprehensive review of the whole governance structure, and would also be more expedient administratively.

22. We hope that our comments will contribute to the Monitoring Board's review of the IFRS Foundation's governance. Should you require any further clarification, do contact me.

23. Thank you.

Yours faithfully,

Siew Luie SOH (Ms)  
Secretary  
Singapore Accounting Standards Council