

16 March 2011

The Members
IFRS Foundation Monitoring Board

Dear Sir/Madam,

Response to IFRS Foundation Monitoring Board *Consultative Report on the Review of the IFRS Foundation's Governance*

1. I thank the Members of the IFRS Foundation Monitoring Board (hereinafter referred to as the “Monitoring Board”) for the opportunity to comment on the aforementioned Consultative Report (CR). Before I proceed to articulate my views on this CR, I would like to emphasise upfront that the comments that are expressed herein are solely my *personal views* and strictly do *not* reflect those of any organisation to which I may be associated presently and/or previously in various capacities.

2. I note that as part of the second Constitution review process, the Trustees of the IFRS Foundation had earlier issued a Consultation Document (CD) in November 2010 to solicit global stakeholders’ views on the Foundation’s future strategy. The Trustees had asked global stakeholders to consider and comment on the key strategic themes of mission, governance, process and financing. In this context, I am pleased that the Monitoring Board has taken the initiative to coordinate with the Trustees by also concurrently launching its separate governance and oversight review. Although conducted at different oversight levels within the governance body of the Foundation, I see both reviews as complementary and leading ultimately to amendments and/or refinements being made to the Constitution by the Trustees. Going forward, in the strategic interest of achieving a more holistic and consistent review of the Foundation’s governance structure, I strongly urge the Monitoring Board to work closely with the Trustees on developing a common modus operandi to coordinate their respective periodic governance reviews, and then formalise this under the Memorandum of Understanding.

3. On a separate note, I understand from the CR that the Monitoring Board is seeking to ramp up its membership base and to enhance the visibility and public understanding of its activities in the context of its role as the “overseer of the standard-setting organization from the public interest perspective” (quoted from page 27 of the CR). While I am largely supportive of these strategic objectives, I would like to take this opportunity to caution the Monitoring Board to be mindful of (1) the principles of good corporate governance in terms of the clear segregation of governance roles and responsibilities, and (2) the importance of

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maintaining the independence (both in substance and in appearance) of the IASB's standard-setting process. I see these two aspects as a sine qua non for preserving and bolstering public confidence in the IFRSs as a set of high quality global accounting standards exemplifying the hallmarks of transparency and comparability.

4. My responses to specific questions posed in the CR can be found in the **Appendix** to this comment letter.

Yours faithfully,

LINUS LOW
Singapore

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Question	Comments
<p>Question 1: <i>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.</i></p>	<p>From a forward-looking perspective, I am supportive of the CR's recommendation that the IASB take further substantive steps in enhancing the identification of qualified candidates to deepen the geographical and professional diversity of the IASB Board membership.</p> <p>As the IASB gains further global traction in terms of the adoption of the IFRS framework, the extent of its public accountability correspondingly increases. For the IASB's global standard-setting process to be responsive to the diverse financial reporting needs of the different jurisdictions who are transitioning to the IFRSs as their national financial reporting standards, it is imperative that the IASB Board membership as a whole possesses the requisite geographical diversity to be able to effectively interact with constituents from various geographical regions and consider the underlying contextual factors that shape their individual financial reporting environments.</p> <p>Concomitantly, I also observe that the dynamism and fluidity of the global business environment is imposing steep challenges on the IASB to ensure the continued efficacy of the IFRSs in reflecting the economics of increasingly complex business transactions and deals. Coming immediately to mind is the area of financial instruments accounting, which has to keep pace with the exponential growth of financial innovation in the global financial industry. For the IASB to be able to meet such financial reporting challenges effectively at the global standard-setting level, my sense is that there is a need to</p>

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	<p>deepen the IASB Board membership to embrace candidates of diverse professional training. As a case in point, the increasingly complex measurement issues that the IASB is called upon to tackle nowadays, seem to be pointing towards the need for Board members with advanced expertise and experience in the quantitative sciences.</p> <p>That said, while I agree on the need to deepen the geographical and professional diversity of the IASB Board membership, I would like to also caution that a healthy balance needs to be struck between the composition of the IASB Board membership and the responsiveness of its decision-making processes. Specifically, I am concerned that having too large a Board may unproductively impede decision-making processes.</p> <p>As such, I am more in favour of the IASB augmenting the geographical and professional dimensions of its Board membership through a <i>“scalable” strategy of appointing additional part-time members.</i> Under such an arrangement, whereas the full-time Board members are involved in every standard-setting decision-making of the IASB, the remit of those part-time members would be to contribute to decision-making in specific standard-setting projects where their geographical connections and/or professional expertise could be leveraged upon.</p>

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<p>Question 2: <i>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.</i></p>	<p>I strongly agree with the CR's proposal to separate the roles of the IASB Chair and the CEO of the IFRS Foundation.</p> <p>From a corporate governance perspective, it is undesirable for the IASB Chair to concurrently be the CEO of the IFRS Foundation. A central tenet of modern corporate governance is that the two roles are distinct and should be separated in order to ensure proper checks and balances within the organisation. Corporate history has also clearly demonstrated the risks of vesting the authority of the two roles in one person.</p> <p>From an operational perspective, I also see valid reasons to separate the two roles in the context of the work of the IFRS Foundation. The IASB Chair role, which focuses on the Board's standard-setting activities, is inherently demanding and time-consuming. Therefore, the IASB Chair should be relieved of the CEO's administrative responsibilities.</p> <p>In terms of formalising this separation of roles, I suggest that the Trustees amend the provisions in section 30 of the IFRS Foundation Constitution to explicitly stipulate that <i>the IASB Chair must not also concurrently serve as the CEO of the IFRS Foundation.</i> In my view, formalising the separation of the two roles through a constitutional amendment is the best way to ensure its legitimacy and enforceability.</p> <p>Pursuant to section 15(h) of the same Constitution, the Trustees</p>

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	<p>should effect the proposed constitutional amendment only upon following a formal due process of public consultation.</p> <p>Additionally, I also concur with the CR that the Trustees need to work out the details of the reporting lines between the IASB Chair and the CEO to avoid a situation of “dual control” in diurnal business.</p>
<p>Question 3: <i>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.</i></p>	<p>Consistent with my support for the CR’s recommendation to separate the roles of the IASB Chair and the CEO of the IFRS Foundation, I agree that there should be clearer division of responsibility between staff dedicated to the IASB operations (i.e. standard-setting related activities) and staff dedicated to the Foundation’s administrative and oversight functions.</p> <p>Analogous to the argument for separating the two top roles, I believe there is also a corporate governance case for segregating staff in terms of responsibilities relating to the IASB’s standard-setting activities and those relating to the Foundation’s administrative and oversight functions. I note that segregation of duties is not a far-fetched notion, but is one of the fundamental principles underpinning a sound internal control environment.</p> <p>While I do not have an “insider’s view” of how responsibilities are presently being assigned amongst the IASB and Foundation staff, I would think that the proposed segregation of staff in terms of responsibilities can be best formalised through a thorough review and</p>

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	<p>reconfiguration of the corporate organisational structure of the IFRS Foundation as a whole. The revamped corporate organisational structure should clearly differentiate and demarcate the lines of segregation and accountabilities. The resulting “conceptual” corporate organisational structure should then be translated into reality through implementation according to a stipulated timeline.</p>
<p>Question 4: <i>Please provide comments on any aspects of Trustee composition or appointments that you believe the Monitoring Board should consider.</i></p>	<p>I note that section 6 of the IFRS Foundation Constitution has formally established a geographic selection policy for the Trustees. Under this policy, six of the Trustees must be chosen from the Asia/Oceania region, six from Europe, six from North America, one each from Africa and South America, and two from the rest of the world. I want to take this opportunity to strongly endorse such a Trustee geographic selection policy, as I believe it ensures good representation on a global basis for the Trustees.</p> <p>However, I am of the view that this policy can be further fortified to achieve better representation for the Asia/Oceania region. <i>To this end, I would suggest that the Monitoring Board consider adding a further requirement that not more than one of the six Trustee seats for the Asia/Oceania region shall be held by persons coming from the same jurisdiction.</i> The Asia/Oceania region is made up of many jurisdictions at different stages of economic development and having very diverse financial reporting regimes. I therefore see a justifiable need for an additional selection criterion to broaden the Trustee representation for the Asia/Oceania region.</p>

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<p>Question 5:</p> <p>(1) <i>Do you agree with the proposal to provide increased transparency into the process for Trustee nominations? Please provide reasons for your agreement/disagreement.</i></p> <p><i>To what extent should the Monitoring Board be involved in the nomination process?</i></p> <p>(2) <i>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.</i></p>	<p>(1) Yes, I unreservedly support the CR's proposal for increased transparency into the process for Trustee nominations.</p> <p>In particular, I think there should be greater transparency in the selection process for the Trustees in terms of seeking global constituents' views on potential Trustee candidates. As the body entrusted with the responsibility of appointing the Trustees (per the <i>Charter of the IASCF Monitoring Board</i>, dated 1 April 2009) for the IFRS Foundation, the Monitoring Board should perhaps follow the same due process as the IASB's standard-setting work.</p> <p>Specifically, I would like to see the Monitoring Board publicly publish formal consultation documents to seek global constituents' views on its short list of Trustee candidates. The Monitoring Board should take global constituents' feedback in its internal deliberation and selection of the successful candidate. In its announcement of the successful Trustee candidate, the Monitoring Board should clearly set out its reasons for selecting that candidate, à la the <i>Basis for Conclusions</i> that accompanies newly-issued or revised accounting standards.</p> <p>In the interest of enhancing the transparency and objectivity of the Trustee nomination and selection process, my sense is that the Monitoring Board should be the lead agency "fronting" the exercise, with the Trustees playing a supporting role.</p>

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	<p>(2) As I see it, the further clarification of the criteria for the Trustees' candidacy would be instrumental in strengthening the transparency, objectivity and integrity of the nomination and selection process. This is clearly consistent with the recommendations I suggested in part (1). I believe it would engender greater confidence from global constituents that the successful Trustees had been appointed through a transparent and rigorous process that is firmly based on impartial principles.</p>
<p>Question 6:</p> <p>(1) <i>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?</i></p> <p>(2) <i>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?</i></p> <p>(3) <i>Do you agree that rotating members should be selected through IOSCO? Please provide reasons for your agreement/disagreement.</i></p>	<p>(1) At the present juncture, I think the membership of the Monitoring Board should continue to be restricted to only capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions.</p> <p>As explicitly reflected in the 2009 Charter of the Monitoring Board, the Monitoring Board's <i>raison d'être</i> is to serve as a formal link between capital markets authorities and the IFRS Foundation in order to facilitate the former's ability to effectively discharge their mandates relating to investor protection, market integrity and capital formation. Extending the membership of the Monitoring Board to other public interest entities who are not capital markets authorities, would thus necessitate a fundamental review of the Monitoring Board's governance role. Given that the Monitoring Board has only come into existence some two years ago, my opinion is that now is still too early to consider extending the Monitoring Board's membership beyond the capital markets authorities</p>

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	<p>grouping.</p> <p>Instead, I would prefer that the Monitoring Board consider extending the base of its present inaugural membership to include more capital markets authorities from various regions to achieve better geographic representation and balance of the public interest at large. Please see my comments to part (2) for more details.</p> <p>(2) I think it is necessary to broaden the composition and representation of the Monitoring Board, in light of the ever growing adoption of the IFRS framework globally. It is probably true that the EC, the IOSCO, the JFSA and the US SEC “together represent authorities responsible for setting the form and content of financial reporting in the majority of the world’s capital markets” (quoted directly from the <i>Memorandum of Understanding to Strengthen the Institutional Framework of the International Accounting Standards Committee Foundation</i>, dated 1 April 2009).</p> <p>Nevertheless, as the pace of IFRS adoption accelerates and with an increasing number of jurisdictions relinquishing their national GAAPs in favour of the IFRS framework, I see a justifiable need for the Monitoring Board to review the sufficiency and representativeness of its present membership. In this regard, I am supportive of the CR’s broad recommendation to widen the Monitoring Board’s membership base.</p>

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	<p>However, I do not quite agree with the CR's specific proposal for expanding the Monitoring Board's membership base to eleven, comprising seven permanent members from major markets, two members from the IOSCO Technical Committee and Emerging Markets Committee as well as two rotating members drawn from the IOSCO members. I do not see any rigorous principles being advanced to defend the proposed composition, other than the general need to balance "inclusive representation" and "effective discussion and efficiency in decision making".</p> <p>Instead, I see more merit and logic in the IFRS Foundation's prevailing geographic selection policy for the Trustees. Under this policy, six of the Trustees must be chosen from the Asia/Oceania region, six from Europe, six from North America, one each from Africa and South America, and two from the rest of the world. Such a Trustee geographic selection policy ensures good representation on a global basis. As such, the Monitoring Board may wish to consider putting in place a parallel mandatory geographic selection policy for its capital markets authorities membership composition. However, it may be advisable to cut the number of "open" seats for the rest of the world from two to one in order to have an odd number of members. My rationale for proposing an odd number of members is that this would facilitate achieving consensus in circumstances where there are almost equal members supporting opposite positions.</p>

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	<p>For greater legitimacy and enforceability, this policy should be explicitly incorporated in Article 1 of the Charter of the Monitoring Board.</p> <p>(3) Consistent with my response in part (2), I do not agree with the CR's specific proposal on how the Monitoring Board's membership composition should be expanded. Accordingly, I disagree that rotating members should be selected through the IOSCO.</p>
<p>Question 7: <i>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.</i></p>	<p>I support the CR's position that the Monitoring Board should continue to adopt the consensus decision-making model as established in Article 9 of its Charter.</p> <p>As I see it, the decisions that the Monitoring Board has to make tend to be more of a strategic, rather than urgent, nature. Thus, I believe that the CR's proposal to increase the Monitoring Board's membership should not significantly affect the efficiency of the consensus decision-making model. At this juncture, I also do not see the need for introducing an alternative voting mechanism for certain types of agenda issues.</p>

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<p>Question 8: <i>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?</i></p>	<p>I tend to agree with the thrust of the CR’s recommendation to increase the involvement of public authorities and other international organisations in Monitoring Board activities. I think this would enable the Monitoring Board to strengthen its role of promoting the public interest in the governance process of international standard-setting.</p> <p>That said, given that both the IASB and the Trustees are already consuming considerable resources in the execution of their roles, I would advise the Monitoring Board to exercise “enlightened prudence” in the pursuit of enlarging its stakeholder engagement process.</p> <p>While the three proposed modes of extending stakeholder engagement would probably be viable with the availability of the requisite resources, I do not see the need for establishing an advisory body. In my view, the Monitoring Board members should be well-equipped enough to make sound decisions on their own, and an advisory body would merely add more incremental costs than benefits.</p> <p>I am supportive of the other two modes, as I believe these would facilitate better interaction between the Monitoring Board and its stakeholders, thereby enhancing its decision-making process in a more impactful and cost-effective manner. Consistent with the spirit of promoting greater stakeholder involvement, I would also advocate participation to be based on an “open invitation” concept. In other</p>

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	<p>words, the Monitoring Board should open its activities to all bona fide public authorities and international organisations, rather than engaging the latter on a selective basis.</p>
<p>Question 9: <i>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.</i></p>	<p>I shall structure my comments in two parts, as follows:</p> <p>(1) <u>Involvement of Relevant Stakeholders</u></p> <p>As officially pronounced in the <i>Preface to International Financial Reporting Standards</i> and the <i>Due Process Handbook for the International Accounting Standards Board (IASB)</i>, the IASB has put in place what it calls an “international due process” (as mentioned in paragraph 18 of the <i>Preface</i>) for its international standard-setting work. From a purely institutional perspective, I think there is little dispute that the current arrangements are structured towards facilitating the appropriate involvement of all relevant stakeholders.</p> <p>On the implementation front, I observe that the IASB has been very active in its outreach activities in recent times, holding regular roundtable discussions in major jurisdictions around the globe. I am also encouraged by the IFRS Foundation’s recent decision to establish an Asia-Oceania liaison office in Tokyo to more directly engage constituents in the region, who have hitherto been relatively less vocal on standard-setting issues.</p> <p>Given the above, my view is that the IASB’s present standard-setting process is fairly effective in eliciting the appropriate involvement of</p>

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	<p>all relevant stakeholders.</p> <p>(2) <u>Public Policy Objectives</u></p> <p>In my opinion, it is inappropriate for the CR to link standard-setting with public policy objectives. For sure, I see legitimacy in the Monitoring Board's governance role of the IFRS Foundation, and also concede that there is a public interest dimension to global standard-setting work. <i>However, I think that a clear distinction should be drawn between the IASB's fundamental role of setting financial reporting standards that serve the information needs of global capital markets and public policy objectives.</i></p> <p>The latest global financial crisis has cast financial reporting standards into the limelight, though not for the right reason. Specifically, one school of thought held by many policymakers was that the "pro-cyclical" nature of fair value accounting - as embodied in the financial instruments standard of IAS 39 - was partly to blame for magnifying the economic impact of the financial contagion. A corollary of that view was that the "pro-cyclicality" of financial reporting should be tempered and balanced against the wider public policy objective of maintaining financial stability in the global capital markets.</p> <p>While I agree that the financial reporting standards have a highly relevant role to play in promoting the efficient functioning of the global capital markets, my view is that this role is and should be limited to one of providing a robust reporting framework that</p>

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	<p>enhances the generation and dissemination of transparent, relevant and comparable financial numbers of entities. As I see it, extending the role of the financial reporting standards - or the IASB, for that matter - from one of developing and promulgating a reporting framework for high-quality financial information to one of promoting financial stability, is inappropriate. Such an augmented role effectively puts the IASB in the league of governments and other related multilateral global institutions (e.g. the International Monetary Fund, the World Bank, etc.), who are charged with various macroeconomic and/or developmental missions.</p> <p>I therefore tend to concur with the conclusions reached by the IASB in paragraph BC1.23 of <i>The Conceptual Framework for Financial Reporting 2010</i>. In particular, I am of the view that it is appropriate and entirely consistent with the remit of the IASB for it to focus on the fundamental mission to “serve the information needs of participants in capital markets” in a politically neutral fashion. To a certain extent, if the Board is able to discharge this fundamental mission well, it should <i>indirectly</i> contribute towards creating a virtuous cycle in which better financial information engenders higher users’ confidence in the product of financial reporting and in turn, promotes financial stability.</p> <p>I further note and agree with the point that the IASB neither has the resources nor expertise to resolve policy-related conundrums that may arise from expanding the objective of financial reporting to encompass public policy concerns such as financial stability. The primary responsibility for meeting and balancing those public policy</p>

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	<p>concerns should rightfully rest with governments and those related global multilateral institutions entrusted with delivering such missions for the economic betterment of humanity.</p>
<p>Question 10: <i>What are the appropriate means and venues for the Monitoring Board to enhance the visibility and public understanding of its activities?</i></p>	<p>In my opinion, the present apparent lack of public understanding of the work and activities of the Monitoring Board largely stems from it being a relatively new set-up within the overall governance structure of the well-established IFRS Foundation. Coming into existence only in January 2009 and still in the midst of ramping up its membership base, I believe the Monitoring Board has still some way to go in building up its identity, credibility and public status as the “overseer of the standard-setting organization from the public interest perspective” (quoted from page 27 of the CR).</p> <p>I fully agree with the CR’s recommendation that more can and should be done to enhance the visibility and public understanding of Monitoring Board activities. As for the appropriate means and venues to achieve this, I believe the CR has already identified the main actionable steps – namely, improving website accessibility to Monitoring Board information, more active use of press releases as well as more media publicity of members’ views on oversight issues. I envisage that these measures, if effectively and consistently operationalised, would enhance the transparency of the work and activities of the Monitoring Board over time.</p> <p>As with all new public institutions, it is natural to expect the Monitoring Board to take time to build up and firmly establish its</p>

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	<p>identity, credibility and public status in the eyes of the global stakeholders it serves. I therefore counsel patience in this aspect.</p>
<p>Question 11: <i>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.</i></p>	<p>At the present juncture, I hold the conservative view that the existing arrangements for Monitoring Board involvement in the IASB's agenda-setting are appropriate.</p> <p>Specifically, I see Article III.B of the Memorandum of Understanding between the Monitoring Board and the Trustees as providing an optimal institutional arrangement for the Monitoring Board – in its capacity of representing the public authorities – to refer accounting issues of public interest importance to the IASB, in a manner that duly respects the independence of the standard-setting process.</p> <p>I am concerned that the IASB's independence – both in substance and in appearance – may be significantly impaired if the Monitoring Board is vested with an explicit authority to place an item on the IASB's technical agenda. In particular, I see a latent risk of that authority imposing unhealthy pressures on the IASB to explicitly tackle public policy objectives in its standard-setting work.</p> <p>As I had argued at length in my response to Question 9, a clear distinction should be drawn between the IASB's fundamental role of setting financial reporting standards that serve the information needs of global capital markets and public policy objectives. <i>As a point of clarification, I am not saying that the IASB should turn a deaf ear to public policy concerns raised by the Monitoring Board in its</i></p>

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	<p><i>standard-setting work. Rather, what I am advocating is that the IASB should be sufficiently independent when considering public policy imperatives in its standard-setting work. That is, the IASB should – as a matter of standard-setting principle – address those public policy concerns only to the reasonable extent that this promotes its fundamental mandate of providing a robust financial reporting framework for the global capital markets.</i></p>
<p>Question 12: <i>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?</i></p>	<p>In my view, a sine qua non for the IFRS standard-setting process to remain independent and objective is the preservation of the IFRS Foundation’s and the IASB’s status as a private sector organisation that is neither politically linked to nor significantly dependent on any specific government, jurisdiction or region. As a private sector organisation, it is not possible for the IFRS Foundation to impose and enforce mandatory funding requirements from stakeholders around the globe. Thus, while I believe that it is feasible to achieve a transparent, stable and independent funding model, I frankly do not think that it is realistic to aspire towards attaining what the CR terms as a “non-voluntary” public funding platform.</p> <p>As I see it, the Trustees have already put in place a viable funding framework, and have been successful in working with regulatory and other public authorities to establish national funding regimes in various countries. I would suggest that the Trustees continue their good work in establishing national funding regimes in more jurisdictions.</p>

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	<p>However, I would like to voice my concerns with respect to the “country or jurisdiction specific” principle of the IFRS Foundation’s present funding framework. This principle stipulates that the “funding burden should be shared by the major economies of the world on a proportionate basis, using GDP as the determining measure” (cited from the <i>Financing</i> webpage of the IFRS Foundation’s and the IASB’s website). While it is probably equitable to set country or jurisdiction specific funding targets based on the particular jurisdiction’s percentage contribution to the world GDP, I am concerned that this may inadvertently slant the IASB’s standard-setting work towards the interests of the larger economies (considering that they contribute a larger share of the IASB’s budget). To counteract such a bias, I would recommend that the Trustees consider broadening the basis for setting funding targets from one that is solely GDP-driven to one that is based on a more balanced mixture of publicly available and verifiable economic indicators. For instance, a judiciously weighted basis encompassing both absolute GDP numbers and GDP growth rates could counter the “economic size” bias, resulting in relatively more balanced funding targets between the larger economies and the smaller but emerging economies.</p> <p>While a sustainably predictable stream of monetary contributions is essential for the IASB to continue to be adequately resourced to perform its standard-setting work effectively, I think the IFRS Foundation should also look increasingly towards securing staffing contributions from more jurisdictions to support the IASB’s standard-setting work programme. This could materialise by way of</p>

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	<p>secondment of staff from various national standard-setters on either a project-by-project or term basis. To ensure transparency and impartiality, the secondment process needs to be initiated via an open invitation to all interested national standard-setters, with selection being based on objective evaluation criteria and merit.</p>
<p>Question 13:</p> <p>(1) <i>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.</i></p> <p>(2) <i>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.</i></p>	<p>(1) I do not support the CR's recommendation that the Monitoring Board be granted a more prominent role with respect to the Trustees' selection of the IASB Chair.</p> <p><i>Firstly, doing so would run contrary to the principles of good corporate governance.</i> In the context of the IFRS Foundation's three-tier governance structure, I see the Monitoring Board and the Trustees playing distinct governance and oversight roles. These roles are clearly set out in the IFRS Foundation Constitution. Hence, if the Monitoring Board plays a more prominent role in the selection of the IASB Chair, it is effectively encroaching into the Trustees' area of governance. This would obscure the clear segregation of governance roles and responsibilities between the two tiers of the three-tier governance structure. In particular, I am concerned that this would upset the "balance of power" within the three-tier governance structure.</p> <p><i>Secondly, considering that the IASB Chair is a key role underpinning the integrity and accountability of the IASB's standard-setting mission, I am worried that the Monitoring</i></p>

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	<p><i>Board's involvement in the selection of the former could be perceived by global stakeholders as compromising the independence of the IASB's standard-setting process.</i> This could, in turn, erode public confidence in the quality of the IFRS framework.</p> <p>Hence, for the above two reasons, I strongly believe that the Monitoring Board should also strictly observe the same principle of abstention from all matters relating to the selection and appointment of IASB Board members in the case of the Trustees' selection of the IASB Chair.</p> <p>(2) For the same reasons as stated in my response to part (1), I certainly do not agree to the Monitoring Board approving the Trustees' final selection of the IASB Chair. <i>Instead, I firmly believe that the public interest would be much better served through the Monitoring Board adopting a strict abstention policy from all matters pertaining to the selection and appointment of IASB Board members, including the IASB Chair.</i></p>
<p>Question 14: <i>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.</i></p>	<p>I do not have any major objections to the Monitoring Board explicitly expanding its responsibilities to include consultation with the Trustees on the latter's development of the framework to ensure proper balance in the composition of the IASB.</p> <p>Unlike the proposal for the Monitoring Board to play a more</p>

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	<p>prominent role in the selection of the IASB Chair, the issue of developing the <i>framework</i> for ensuring proper balance in the IASB's Board composition is of a strategic nature and falls within the ambit of the Monitoring Board's oversight of the Trustees' work. I therefore do not see this as posing any major risk to the public perception of the IASB's independence in standard-setting.</p> <p>However, in line with its intention of promoting greater visibility and public understanding of its work, I strongly urge the Monitoring Board to make details of such dialogues available in the public domain. As for the Trustees, they should dutifully observe the due process of public consultation, before making any amendments to the IFRS Foundation's policy pertaining to the IASB's Board composition.</p>
<p>Question 15: <i>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.</i></p>	<p>At the present juncture, I do not believe that there is a need to establish a permanent secretariat for the Monitoring Board, notwithstanding that it is taking steps to increase the visibility and public understanding of its work and activities.</p> <p>Rather, I hold the conservative view that the Monitoring Board should continue to operate on the basis that is explicitly specified in Articles 3(B) and 3(C) of its Charter. That is, the Chair of the Monitoring Board shall be responsible for providing the group's secretariat services, and individual members of the Monitoring Board shall finance their participation in Monitoring Board activities on their own.</p>

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	<p>For the Monitoring Board to exercise its primary role as the “overseer of the standard-setting organization from the public interest perspective” at the highest level of integrity, I am of the view that it should adhere to a pro bono principle in its modus operandi. I see this as the best way of maintaining the politically neutral stance of standard-setting.</p> <p>Furthermore, as I had mentioned in my comments to Question 8, both the IASB and the Trustees are already consuming considerable resources in the execution of their roles. Global stakeholders have already committed significant amounts of financial contributions to the IFRS Foundation to fund the standard-setting work of the IASB. It is thus not advisable to impose further financial burden on global stakeholders to fund the work of the Monitoring Board. I am also concerned that additional financial contributions from stakeholders could come with underlying political agendas that jeopardise the Monitoring Board’s objectivity.</p>
<p>Question 16: <i>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.</i></p>	<p>In view of the dynamism and fluidity of the global financial reporting environment, I fully concur with the CR’s recommendation on the need for the Monitoring Board to regularly review the relevance and soundness of the governance structure of the IFRS Foundation and the effectiveness of its oversight role in the context of that governance structure.</p> <p>I further agree that this periodic governance and oversight review</p>

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	<p>should be undertaken in tandem with the Trustees' review of the IFRS Foundation Constitution. Given that the latter takes place at an interval of every five years, it makes sense for the Monitoring Board to also conduct its periodic reviews at a five-yearly interval.</p> <p>Certainly, I see considerable merit in the proposal to align the timing of the Monitoring Board's periodic governance and oversight review with that of the Foundation's mandated Constitution reviews undertaken by the Trustees. Although conducted at different oversight levels within the governance body of the Foundation, I see both reviews as complementary and leading ultimately to amendments and/or refinements being made to the Constitution by the Trustees.</p> <p>As such, in the strategic interest of achieving a more holistic and consistent review of the Foundation's governance structure, I strongly urge the Monitoring Board to work closely with the Trustees on developing a common modus operandi to coordinate their respective periodic governance reviews, and then formalise this under the Memorandum of Understanding.</p>
<p>Question 17: <i>Do you have any other comments?</i></p>	<p>I have no further comments at this juncture.</p>

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