

Mr Takashi NAGAOKA &
Mr Makoto SONODA
IFRS Monitoring Board
IFRS Foundation
30 Cannon Street

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United Kingdom

Düsseldorf, 8 April 2011

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Dear Mr Nagaoka,
dear Mr Sonoda,

Re.: IFRS Foundation Monitoring Board: Consultative Report on the Review of the IFRS Foundation's Governance

The IDW appreciates the opportunity to comment on the Monitoring Board's Consultative Report on the Review of the IFRS Foundation's Governance.

In respect of our comments on the operational aspects of governance, we refer to our comment letter on the Consultation Paper "Status of Trustees' Strategy Review", dated 24 February 2011. We have previously commented on the respective roles and responsibilities of the IASB and the Trustees as well as their interaction within the IASB's due process in that letter. The IDW believes that the governance of the IFRS Foundation including the IASB oversight should remain primarily with the Trustees. In addition, we recommend that the Trustees should be accorded a more prominent role, in particular:

- in the determination of the IASB's work programme and its priorities, i.e. subsequent to the public consultation process, the long-term work programme should be subject to final approval by the Trustees.
- in the current development process of the Framework and standards. In our opinion, the significance of the Framework as a conceptual basis for the IASB to draw upon in both developing and amending its standards is not being taken seriously enough. Therefore, we also recommend that the Trustees subsequently oversee adherence to the final provisions of this Framework.

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In our opinion, these proposals would strengthen the role of the Trustees, and also improve the transparency and accountability of the standard-setting process.

The IDW questions the need to separate the dual role of the IASB Chair and the Chief Executive of the IFRS Foundation. In our view, it would be sufficient for a Chief Operating Officer to report to the Chair of the Trustees regarding the more operational aspects of the Foundation.

In 2009, the Monitoring Board was established as one measure to promote the public accountability of the IFRS Foundation and the global acceptance of IFRSs. Hence, the membership of the Monitoring Board should ideally be representative of the world's capital markets. Because of the increased adoption of the IFRSs worldwide, we agree that expansion of the membership, with a focus on greater representation of major emerging markets is appropriate in order to ensure regional diversity. However, we believe that the overall size of the board should be limited to maintain its efficiency and effectiveness. In this context, we continue to support the current consensus-based system of decision-making.

The Monitoring Board is a significant element in ensuring democratic surveillance and enhancing the credibility of the IFRS Foundation. For example, it is responsible for overseeing the Trustees' activities. This includes approving the appointment of Trustees after an agreed nomination process, reviewing and providing advice to the Trustees on the fulfilment of their responsibilities and meeting with the Trustees on a regular basis.

Furthermore, the Monitoring Board provides a formal link between the Trustees and public authorities. It contributes to an ongoing dialogue between the Trustees and those official international and regional organisations which have an interest in the adoption or recognition of International Financial Reporting Standards or the development and effective functioning of capital markets.

The IDW believes that the tasks of the Monitoring Board have been appropriately defined and provide the right balance in relation to the tasks of the Trustees. Nevertheless, the Consultation Paper includes proposals to extend the Monitoring Board's responsibilities. Examples include:

- greater involvement in the IASB's agenda-setting, for instance through placing items on the agenda,
- a more prominent role in the selection of the IASB Chair, such as devising or approving a set of criteria for the IASB Chair, or

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- consultation with the Trustees as they further develop a framework to improve the process for identifying technically qualified candidates for the IASB and to ensure its composition is properly balanced.

In our view, the role of the Monitoring Board should continue to focus on reviewing and advising the Trustees in fulfilling their responsibilities as the governance body charged with oversight over the IASB. We do not agree with the proposals put forward, because they could interfere with the clear delineation between the respective oversight responsibilities of the Monitoring Board and those of the Trustees currently stated in the Constitution.

Further, the proposed new responsibilities of the Monitoring Board seem to extend beyond its oversight role. In our view, they could result in the independence of the standard-setting body being undermined, if, for example, public authorities were, either directly or indirectly, able to influence the appointment or removal of IASB Board members. We believe that this could raise serious doubts as to the independence and proper governance of the IASB and potentially impair public confidence in IFRSs.

For these reasons, we suggest that the role and the responsibilities of the Monitoring Board remain largely unchanged. Consequently, the establishment of a permanent secretariat may not be necessary.

Nevertheless, we support the efforts to enhance the visibility and public understanding of the Monitoring Board's oversight role. In our view, improved website accessibility to information, increased use of press releases clarifying the Monitoring Board's views and greater exposure of members' views regarding matters of Monitoring Board oversight to the media and wider audiences are appropriate measures to enhance the transparency of, and thus increase public understanding for its activities.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely

Klaus-Peter Naumann
Chief Executive Officer

Norbert Breker
Technical Director
Accounting and Auditing