



Takashi NAGAOKA (Mr.)
Director for International Accounting
Financial Services Agency of Japan

Makoto SONODA (Mr.)
Deputy Director, Corporate Accounting and Disclosure Division
Financial Services Agency of Japan

8 April 2011

Subject: Consultative report on the review of the IFRS Foundation's Governance

Dear Sirs,

We thank you for providing us the opportunity to convey our comments on the proposals raised in your Consultative report published on February 7th, 2011.

We are writing to you as a group of “long term investors” or LTIs, which share some specific special features. An important characteristic of LTIs is that they invest and provide funding to long term projects considered eligible based on financial and public utility criteria.

The four public institutions which contributed to this letter are:

- European Investment Bank
- KfW
- Cassa Depositi e Prestiti
- Caisse des Dépôts

We believe that policy makers and international regulators around the world should work not only to assure financial stability, prevent global crisis and “level the playing field” to allow for fair global competition on the markets of global savings; but they should work as well on creating a regulatory and international accounting framework that enable managers of financial institutions to focus more on long-term rather than short-term results, and more on investments with significant positive externalities for growth than on financial short-term investment.

In this context, we support a change in the articulation of the IASB's mission. It should be more inclusive towards the expectations of the general public interest, rather than the sole interests of the organisation and working of the capital markets. It is therefore important not to limit the participants to the extension of the oversight too much to securities regulators only.

Furthermore, more prominence should be given to the needs of users in search of the allocation of their long-term investments. These users need to focus on other metrics than

short-term investors in their investment decisions and need to find, within the financial statements, decision-useful information on the reporting entity's long-term results and sustainability thereof.

Overall, we welcome the governance review undertaken which demonstrates the willingness of the IFRS Foundation to ensure the provision of high quality, understandable, enforceable and globally accepted financial reporting standards in a changing environment.

In particular, we support the need to have a clear definition of the role of the three governing bodies in order to enhance the coordination between them which in turn will ensure an efficient governance structure.

We have taken note of the various questions raised in the consultative report; however, we would like to focus our answers to the questions which we believe to be vital to ensure an appropriate governance structure in the standard setting process. In particular, we want to stress that there is a need to better articulate the prudential regulators' input in the standard setting process.

You will find our detailed answers in the annex to this letter.

We remain of course available should you wish further clarification on our opinion.

Best regards,

European Investment Bank
M. Rémy Jacob
Director General of the Strategy and
Corporate Centre - Financial Controller

KfW Bankengruppe
M. Klaus Weirich
Head of Accounting

Cassa Depositi e Prestiti
M. Andrea Novelli
Chief Financial Officer

Caisse des Dépôts
M. Olivier Mareuse
Chief Financial Officer

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?

The financial crisis has illustrated more than ever the interactions between accounting and prudential regulation. In that respect, we believe that this consultative report raises an important issue that is the need to increase the involvement of other public authorities and international organisations in the standard setting process.

We believe that financial reporting should provide transparent financial information that is conducive to an optimal allocation of investments by investors in investees and hence to economic growth.

Although we believe that capital-market investors should be considered as the primary users of financial reporting, we also believe that general public interest could be represented by bodies such as the prudential regulators. Those bodies and other international organisations, representative of a general public interest could be considered as members/observers of the newly proposed advisory body.

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.

We believe that the current arrangements for the standard setting process do ensure the involvement of relevant stakeholders, in particular through the extensive consultation process of the IASB. However, we think that the specificities of long term investments which are an important tool in the strategy to exit the economic and financial crisis are not sufficiently taken into account in the mission statement of the standard setting process.

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.

We believe that the current arrangements are satisfactory as the role of the Monitoring Board should be limited to the supervision of the activities of the IFRS Foundation and should not expand on technical issues. However, given the need to have the prudential regulators input in the standard setting process, as explained in our answer to question 8, we think that the current arrangements should provide for an adequate and transparent communication. This includes, when applicable, disclosure of the reasons why the IASB did not consider on its agenda the items referred by the Monitoring Board.

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.

We agree with the importance of regular monitoring and follow up reviews of decisions implementation, also in order to verify their effectiveness. Regular reviews of the governance structure is also welcome, to take into account relevant developments, and an interval of five years can be appropriate.