



British Columbia Securities Commission

April 11, 2011

IFRS Foundation Monitoring Board
c/o Mr. Takashi Nagaoka
Director for International Accounting
Financial Services Agency of Japan
E-main: t-nagaoka@fsa.go.jp
and
c/o Mr. Makoto Sonoda
Deputy Director, Corporate Accounting and Disclosure Division
Financial Services Agency of Japan
E-mail: makoto.sonoda@fsa.go.jp

Subject: IFRS Foundation Monitoring Board's Report on the IFRS Foundation's
Governance

Dear Sirs and Mesdames:

We commend the IFRS Monitoring Board for publishing its Consultative Report on the Review of the IFRS Foundation's Governance and for holding a roundtable meeting in North America. This letter provides comments from staff of the British Columbia Securities Commission.

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.

Consistent with the Constitution of the IFRS Foundation, technical expertise and diversity of international business and market expertise should be the primary criteria for selecting IASB members. Diversity of geographical and professional backgrounds should be the secondary criteria.

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.

We support the proposal to separate the roles of the IASB Chair and the CEO of the IFRS Foundation. This change will contribute to the independence of the IASB and will respond to practical challenges of increased activities required for each role.



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.

Clear division of responsibility between IASB staff and Foundation staff is appropriate.

Question 4:

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

We agree with the statement in the Consultative Report "...as the Monitoring Board approves all Trustee nominations, it will continue to consider appropriate diversity as part of the approval process".

Question 5:

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? 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.

We agree with the proposal to document and publish the procedures for the nomination of Trustees, including clear criteria for candidacy. We also agree that the nomination procedures should be transparent to the extent possible, but should also be designed with due consideration for the protection of candidates' privacy. Transparency will support the independence of the IASB.

Question 6:

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?

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?

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



We strongly agree that membership of the Monitoring Board should continue to be confined to capital market authorities responsible for financial reporting in their jurisdictions. The composition of the Monitoring Board should reflect the IASB's mandate to develop high quality financial reporting standards that are accepted in capital markets globally.

We agree with the proposal to expand the size of the Monitoring Board by including more representatives from capital market authorities. We recommend that the additional members represent jurisdictions that require or allow IFRS, regardless of whether the jurisdictions are considered "emerging markets".

If rotating members are selected through IOSCO, we recommend that members be drawn from ordinary and associate IOSCO members.

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.

It is preferable for the Monitoring Board to reach consensus decisions. However, given the proposal to expand the size of the Monitoring Board, we recommend a super-majority voting procedure in the event that the Monitoring Board cannot reach a consensus decision on a particular matter.

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?

Consistent with our response to question six, we support the Monitoring Board's proposal not to include individual prudential or other public authorities as members of the Monitoring Board. Prudential or other public authorities have opportunity to share their views about financial reporting with the IASB, the IFRS Foundation Trustees and the Monitoring Board. We do not think there is a need to create observer positions or an advisory body for prudential or other public authorities.



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.

As stated in the Constitution of the IFRS Foundation, a key objective of the IFRS Foundation is to develop “financial reporting standards...to help investors, other participants in the world’s capital markets and other users of financial information make economic decisions”. The primary consideration in developing accounting standards should be the needs of investors and other users with similar information needs. The standard-setting process should allow all interested parties to share their views, but the focus should continue to be investors’ needs.

Question 10:

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

We agree with all the suggestions in the Consultative Report for enhanced visibility of the Monitoring Board’s activities including: making available materials concerning the Monitoring Board’s deliberations, improving website accessibility to information, increased use of press releases, and greater exposure of members’ views regarding matters of Monitoring Board oversight to the media and wider audiences.

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.

The Monitoring Board should not have an explicit ability to place an item on the IASB’s agenda. In our view, such ability would raise serious concerns about the independence of the IASB and the standard-setting process. As noted in the Consultative Report, the Memorandum of Understanding between the Monitoring Board and the Trustees already provides an appropriate mechanism for the Monitoring Board to refer issues to the Trustees and the IASB Chair. In particular, section 9(b) specifies that the Monitoring Board may refer accounting issues to, and will confer regarding these issues with, the Trustees and IASB Chair. The section also specifies how the Trustees will respond to such referrals.

We agree with the view articulated in the Consultative Report that “agenda-setting should rest solely with the IASB, though following a strong process that includes opportunity for



all constituents, including public authorities, to refer matters for consideration, provides for public input into agenda priorities and requires IASB feedback on how constituent views were considered when arriving at the final technical agenda”.

Question 13:

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. 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.

The Monitoring Board should not have direct involvement in appointing the IASB Chair, and should not have any increased role in the selection process. Our response to this question is consistent to our response to question 11 regarding the IASB agenda. In both cases, involvement by the Monitoring Board would raise concerns about the independence of the IASB and the standard-setting process.

The Consultative Report discusses the possibility of the Monitoring Board either providing or approving a set of criteria for the IASB Chair, to which the Trustees’ independent selection process would be held accountable. We think it would be appropriate for the Monitoring Board to provide their views to the Trustees on proposed criteria for the IASB Chair.

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.

The Monitoring Board’s responsibilities should not explicitly include consulting with the Trustees on the composition of the IASB.

The Constitution specifies that Trustees shall appoint the members of the IASB. The Constitution also specifies that the Monitoring Board shall review and provide advice to the Trustees on the fulfilment of various responsibilities, including the responsibility to appoint IASB members. This delineation of responsibilities is clear and explicit reference to the Monitoring Board consulting on the balance of the composition of the IASB is not appropriate.

In addition, as stated in our response to question one, technical expertise and diversity of international business and market expertise should be the primary criteria for selecting



IASB members; diversity of geographical and professional backgrounds should be the secondary criteria.

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 proposal for regular reviews of the governance structure. We recommend that the Monitoring Board coordinate the timing of its reviews with the Trustees' review of the structure of the IFRS Foundation as required by the Constitution. Coordinating the timing is appropriate given the likely overlap of issues that will arise in the two review processes. A failure to coordinate the timing may confuse stakeholders about the roles and activities of various parties.

With regards to the current review processes, we encourage the Monitoring Board and the Trustees to achieve an integrated package of proposals for improving the governance framework.

Thank you for the opportunity to respond to questions about the preliminary proposals and options discussed in the Consultative Report.

Yours truly,

Carla-Marie Hait, FCA
Chief Accountant, British Columbia Securities Commission
(604) 899-6726
chait@bcsc.bc.ca