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c/o

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Dear Mr Kono

IFRS Monitoring Board Consultative Report on the Governance Review

The IBFed is the representative body for national and international banking federations from leading financial nations around the world. Its membership includes the American Bankers Association, the Australian Bankers' Association, the Canadian Bankers Association, the China Banking Association, the European Banking Federation, Indian Banks' Association, the Japanese Bankers' Association, the Korean Federation of Banks and the Bankers' Association of South Africa. This worldwide reach enables the Federation to function as the key international forum for addressing legislative, regulatory and other issues of interest to the global banking industry.

We welcome the opportunity to comment on the IFRS Monitoring Board Consultative Report on the Governance Review. From our perspective, we see a need for three component parts to the IFRS Foundation – the Trustees, the IASB and engagement with other inter-governmental bodies as represented by the Monitoring Board. We recognise that the IASB needs operational independence to develop high quality standards, but also consider that the governance framework needs to ensure that those standards meet broader policy imperatives and to ensure that due process is appropriately designed and followed - and seen to be followed - in practice.

IASB

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.

Yes. Improving the geographical distribution of the Board is necessary to reflect the increasingly global nature of the adoption of 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.

We can see grounds for ensuring a separate work stream for tasks relating to the Foundation's administrative and oversight functions. This requires either the separation of the roles of the IASB Chair and CEO of the IFRS Foundation or the adoption of processes that will provide full assurance that appropriate weight is placed on the administrative and oversight functions independent of the standard setting process.

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.

We agree that there needs to be a more deliberate focus on the discharge by the Trustees of their administrative and oversight responsibilities and can see grounds for this being supported by a clearer division of responsibility between staff dedicated to the IASB's operations and staff dedicated to the Foundation's administrative and oversight functions.

Trustees

Question 4: Please provide comments on any aspects of Trustee composition or appointments that you believe the Monitoring Board should consider.

It is appropriate that the Monitoring Board continues to consider the diversity of the geographical and professional backgrounds of the Trustees as part of its 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 documentation and publication of formal procedures for the nomination of Trustees including clear criteria for candidacy. There is no reason why this, undertaken competently, should compromise the privacy of candidates.

Monitoring Board

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.

Without substantially reorganising the Board of Trustees, a mechanism such as the Monitoring Board is needed to bring public accountability to the IFRS Foundation. This is undertaken on a basis consistent with the independence of the standard setting process and within this context it is not unreasonable to ask whether there are bodies other than the capital market authorities – such as the Basel Committee on Banking Supervision, the Financial Stability Board and the International Monetary Fund – which merit full membership of the Monitoring Board for some or all of its functions.

We would agree that a point must come at which a jurisdiction's application of IFRS and financial contribution to standard setting should have some bearing on representation.

We are aware of no reason why IOSCO should not be asked to assume responsibility for select rotating 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.

We are not aware of any reason why voting by consensus should not continue to be the basis of the Monitoring Board's decisions but would accept that any expansion in membership may necessitate the introduction of qualified majority voting for entirely practical reasons.

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?

It is very clear that the work of the IASB has a relevance to broader public policy initiatives being pursued by public authorities such as the Basel Committee on Banking Supervision, the Financial Stability Board, the International Monetary Fund and others on the authority of G20 governments. We therefore see a case for enhancing the IFRS Foundation's engagement with these bodies.

Question 10: What are the appropriate means and venues for the Monitoring Board to enhance the visibility and public understanding of its activities?

As the consultative report explains, the public part of Monitoring Board meetings is currently disclosed through the IOSCO website. An obvious means therefore of enhancing the transparency of the Monitoring Board's deliberations therefore would be through the provision of a designated facility – or portal linkage - within the IFRS Foundation's website.

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 see a deliberate process around the setting of the IASB's strategic agenda and priorities as fundamental to its credibility and acceptance as a standard setter. In this context, we believe the Monitoring Board should carefully review the appropriateness of and compliance with this process. However, as an oversight body, it is not the task of the Monitoring Board to place single items on the agenda. .

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?

We favour fixed mechanisms for funding over voluntary arrangements but see a need for maintaining flexibility as to the precise funding mechanism within individual jurisdictions.

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 concentrate on oversight of the selection process 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.

According to the constitution the selection of IASB members is primarily the task of the trustees. We see no grounds for major changes.

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.

Our understanding is that the Monitoring Board currently needs to make its own administrative arrangements. While we see no need for a top-heavy approach we would support the Monitoring Board being suitably supported by the IFRS Foundation.

Other questions

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.

While we appreciate the need to achieve an appropriate balance between the independence of the standard setting process and public accountability, we consider that the initial experience of the financial crisis showed the IFRS Foundation to be insufficiently responsive to the need to coordinate with public authorities in the pursuit of broader public policy objectives. While we believe this position to have improved in practice, it shows a need for further involvement on the part of broader stakeholders in the setting of the IASB's strategic agenda and priorities.

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 need for regular reviews of the governance structure and would see an interval of five years as appropriate. We would also see the logic in aligning the timing of the governance review with the timing of the mandated constitutional reviews.

Question 17: Do you have any other comments?

Our only other comment would be to underline the need for the conclusions of the Monitoring Board review to be consistent with the Trustees strategic review and vice versa.

Yours sincerely

A handwritten signature in black ink that reads "Sally Scutt". The signature is written in a cursive style with a large initial 'S'.

Sally Scutt
Managing Director
IBFed

A handwritten signature in blue ink that reads "Wim Mijs". The signature is written in a cursive style with a large initial 'W'.

Wim Mijs
Chairman
IBFed Board