

Monitoring Board and IASCF Trustees Meeting

Speaker key

HH	Hans Hoogervorst
GZ	Gerrit Zalm
MB	Michel Barnier
MS	Mary Schapiro
GT	Greg Tanzer
AV	Antonio Vegezzi
JT	Jogus Tafara
YL	Yan Liu
DT	David Tweedie
SM	Sylvie Matherat
KM	Katsunori Mikuniya
YTS	Yves-Thibault de Silguy
MP	Mohandas Pai
ET	Ethiopsis Tafara

HH Okay, may I invite everybody to take their seats? I welcome everybody to this public part, broadcast on the internet, of the Monitoring Board meeting with the trustees of the IASCF. All Monitoring Board members are here, except for the Chairman of the Emerging Market Committee of the IOSCO, Guillermo Larrain. His place is taken by Greg Tanzer, Secretary General of the IOSCO.

We particularly welcome the European Commission, represented by Commissioner Michel Barnier. As you know, the European Commission has signed on to the MoU in December of last year and we are very happy that Michel Barnier is joining our ranks, first of all of course because the European Commission is an extremely important member of the Monitoring Board and secondly that we are now complete as a Monitoring Board and can fulfil our functions even better than we did before.

A warm welcome to IASCF Trustees, to Sylvie Matherat who is one of the observers of the Monitoring Board, representing the Basel Committee, and a warm welcome to all public observers and to the people listening in on the internet. And I would like to thank the IASB for hosting this meeting in their own offices.

The first item on the agenda is a report from the Monitoring Board and its operations. I think I can be very brief on that. We issued a couple of written statements in the last couple of months on principles for accounting standards and standard-setting; a joint statement to emphasise the importance of convergence between FASB and the IASB, and a statement on the signing of the MoU by the European Commission. Are there any comments or questions to be made on that?

GZ Thank you, Chairman. I think one of the issues we are often asked about is, if you have standards, how do you guarantee that they are consistently applied and how do you enforce that? And that's also maybe an issue for the security regulators to think about how, on a worldwide scale, and this may be also a role for IOSCO, how we can ensure that application of standards is done in a consistent way. And so that is an issue we hope you have ideas about as a Monitoring Board.

HH Yes, please, Michel Barnier.

MB Mr Chairman, first of all, I want to thank you once more for a warm welcome, and all of you and yourself and the chairman of this meeting and Gerrit Zalm, the Chairman of the board of Trustees, and say once more I'm very delighted to be here for the first time representing the European Commission and the EU.

Perhaps it's time for me to say one key point first: I would like to state the European Commission's support for IFRS. They are the only realistic option to achieve a single global accounting standard. Our decision to [formally join] the first time this morning the Monitoring Board underlines our strong commitment.

However, concerns remain in Europe about the IASB governance. I would like just now to highlight perhaps two points: first, the still weak accountability of the IASB towards public authorities and, second, the fact that the IASB is reluctant to fully consider the economic impact of its standards, in particular in financial stability.

In this context it is important for me to say at the very beginning of this meeting that we need to have closer cooperation with the users and the potential regulators. Thank you.

MS I just want to say one word about consistency of application and interpretation; that is if one of the real benefits underlying global accounting standards is the improved comparability across investment options for people who are utilising financial statements and therefore making better capital allocation decisions, I think it's the extent to which comparability exists that will directly impact how much efficiency we achieve from having uniform standards.

And I know it's an evolutionary process, and the more users there are of IFRS the more familiarity there will be with how standards should be applied and this will result in investors and analysts and others asking questions when they detect something amiss. But I think for those of us who are securities market regulators it will be very important to watch very closely how IFRS is, in fact, applied and ensure that we make an enforcement of IFRS ultimately as a priority.

And there's a lot of work which I'm sure Greg could speak to going on in IOSCO through the database on IFRS decisions and on work to understand peers application of the standards that I think will be very important for us to ensure over time that there's consistent application.

HH Greg? I give the floor to Greg Tanzer, Secretary General of IOSCO.

GT Thank you, Chairman. To pick up your point, Gerrit, I think that you made a very good point that this issue of the consistency of application and the enforcement of consistent application of IFRS is very important from a securities regulation viewpoint and then from IOSCO. I wholeheartedly endorse Chairman Schapiro's comments in that regard.

From an IOSCO perspective, we've undertaken two initiatives which we hope are helpful in this regard. One is that we maintain a database for our members of decisions that they make on interpretation-type issues. I'm very pleased also that we've been able to link that database with a similar exercise that happens within the European region through the Committee of European Securities Regulators. They have a similar sort of database, but perhaps of a slightly higher level with a seat to come up with a similar ruling across the whole of Europe. The IOSCO exercise is primarily an information sharing exercise on how regulators have dealt with a particular issue that might arise in enforcement of an aspect of IFRS.

The second aspect is a more sort of informal mechanism way of sponsoring discussions, if you like, between regulators on emerging issues where they could share a problem that seems to be arising, or a problem interpretation that might seem to be arising and they could share what they believe is the appropriate interpretation and therefore enforcement steps to take, understanding of course that it's the province of each national regulator to take responsibility for the enforcement of IFRS within the scope of their own responsibility. But that decision as to how to exercise that regular pre-discretion is much better informed once you hear from your peers in other places.

So those are two particular initiatives that we've taken, but I think the overarching message here is one of responsibility at the regulatory level, but also very much responsibility at the industry and practitioner level also to look and strive for consistent application where that's possible, because regulators can certainly play a very substantial role in this. And, as Chairman Schapiro pointed out, that's going to be very important going forward, but also the self-adjusting mechanisms that industry can bring to bear through the profession itself I think is also very important.

GZ Well, maybe in reaction to commission Barnier's remarks, I think that if you look at the developments in the past year as far as public accountability is concerned I think we made big progress. Public accountability can be interpreted in two ways; accountability to public authorities, and that's why the Monitoring Board was created because they are public authorities in the field of accounting, and the second is the general public at large.

If you look at the way we consult, not only in a formal way, but also by having roundtables, by having all kinds of outreach activities which were unimaginable a few years ago, I think also in that field we made a lot of progress. For example, IFRS 9; of course not everybody is completely happy with the content of the standard, but we got very friendly remarks on the way the consultation has been done during IFRS 9.

As far as the impact, maybe Antonio can tell us something about that because part part of our role as Trustees is also to see whether in the preparation of standards, and

before setting the standard, all kinds of effects are taken into account. Maybe you can help me a bit in this respect?

AV Yes. Thanks, Chairman. There is a document that is supposed to be an impact assessment of the standards. It's been applied to one standard and my sense is this will become a standard procedure to see what is going to be the impact of the standards.

On a global basis it is clear that the more detail is in the impact assessment, the more it is, in my opinion, almost dangerous because you have to go into detail. But the reflection upon what is going to be the impact of the standard is formalised in a document, and this document is part of the new process of the standard-setting process.

There is another document that goes along with the accountability, which is the feedback statement, where when the exposure drafts are exposed and the feedback is received from different sources the ISB is committed and tries to rationalise the feedback on the different points and first create total transparency about the feedback received, and then reconcile the position expressed from the feedback on the position crystallised in the standard, if they are not in agreement.

So in my opinion these two documents are a significant step forward towards the concept of accountability, listening to people, reaching out and transparency. To me, transparency is a component of the accountability.

JT Hello, it's Ethiopis **Tafara** [?] from the SEC.

ET Thank you, Chairman. Actually, I was going to speak to the earlier issue of interpreting because this is interpretation and application and enforcement of IFRS, so I don't know whether the conversation has now shifted to something else. But as a complement to what's happening in IOSCO, we've entered into a number of bilateral arrangements with regard to interpretation/application of IFRS.

As you know, we've passed a rule a couple of years ago whereby we allow foreign issuers that raise capital in the US to actually use IFRS for their capital raising purposes, and they file statements with us and obviously they file statements with their own regulators. And one of the things that we thought was pretty important was to put in place an arrangement whereby if we had concerns or issues with regard to interpretation of application of a particular standard as we're reviewing a financial statement, that we put in place triggers that call for us to actually have a conversation with the other regulator to be sure that we're not doing something inconsistent with a view that they've taken, or at least to be sure that there's a conversation that takes place before we pronounce our views on the particular application or interpretation.

In the interest of avoiding as much as inconsistency as possible we have a number of those bilateral arrangements in place now, continue to pursue other ones, so that's one thing that we're doing on a bilateral basis to complement the work that's being done by IOSCO as regulators to ensure greater consistency, interpretation and application.

HH Yan?

YL To ensure international comparability of financial reporting and investor confidence it is critical to secure the globally consistent application and appropriate enforcement of IFRS. However, it is not an easy task to achieve this goal in practice since IFRS is a set of principles based standards and applied in various jurisdictions worldwide. So the IFRIC should play a key role on these challenges.

However, I think there are many issues to be improved after the operation of IFRIC, such as the limitation in the scope of IFRIC interpretations and lack of sufficient explanations when the IFRIC declines certain agenda items. I would expect the IFRIC to be able to provide more interpretations by increasing both the number of staff supporting the IFRIC and the frequency of its meetings.

HH It's a warm plea for IFRIC. Any more comments at this stage? We still have a long way to go in terms of enforcing the application of IFRS, but that is recognised around the table. Then I think we can go ahead with the next point on the agenda which is a report from the IASCF on developments and achievements since the last Monitoring Board meeting. Please, Gerrit.

GZ Thank you, Mr Chairman. I think can be short because there is also an agenda paper distributed, also available for the public. I think if you look at the issues mentioned there, the constitution review is finished, so we have an amended constitution. I think what is an important change there is that also on the agenda setting there will be a consultation procedure – that was one of the criticisms that there was no public debate about the agenda of the IASB. I think a commitment to the principle based approach is an important issue in there and these are a few things which were in the second phase of our constitution review.

The other thing worth mentioning is the meeting we have had with the Trustees of the FASB. We had that recently on the 29th of March. As the two boards in November presented their more detailed schedule to finish the common agenda for new standards in mid-2011, as Trustees we said that we would like to have a quarterly report on the progress and that if we could be of any help of getting rid of problems we were available for that.

So in that atmosphere we had a bilateral meeting with our Trustees from the United States, together with both channels of the board and we concluded that cooperation has extremely intensified, there are various meetings in a month of the two boards, and that on a lot of issues progress has been made. There appears to be one big issue where it will not be easy, depending on census, between the two boards and that's the financial instruments block, so to say.

Probably the IASB and FASB will both present their own idea about financial instruments and if that is done before the 1st July, then a public debate can start. We can tie together all the comments and then we hope that both boards together are able to reach a consensus on a new standard which should be of course of higher quality. We cannot be sure whether that is feasible, but that is at least the intention of both boards.

So this is probably the most difficult block in the common agenda of the two boards, but it's important that all draft exposures are published before the half of this year so that there is sufficient time for consultation. There will be a lot of draft standards sent to the public, so we certainly must give them as much time as possible to react and then we can finish hopefully the agenda in time.

Maybe, David, you have something to add?

DT Thanks, Gerrit. The meeting we had with the two sets of Trustees really was a report by Bob Herz and myself on the proposals that we are putting forward in the next few months. The intensity of our meeting was rapidly increased ever since we had the joint statement in November. We now meet at least three days a month, either on video conferencing or we actually meet physically, and this month in fact we did both. We have six days of meetings. Last month, I should say, six days of meetings and this really has accelerated the program.

On the positive side, I think out of the nine Memorandum of Understanding subjects we are pretty well in full agreement on five of them. We have slight differences on two, but the idea would be if these remain at the time of the exposure draft we will simply outline the two proposals and then ask a question with a view of taking the answers and coming down to a single view.

On derecognition we have a new proposal which FASB are going to look at next week and give us views, so that's the only one I can't see where we are. But the idea is we both have proposals that seem to work and we're trying to make sure that they're more streamlined in the future and deal with the Repo 105 situation that is out there.

The one that, as Gerrit mentioned, financial instruments, we haven't got agreement and the idea would be that FASB, we hope, are going to issue their exposure draft in the next three weeks. We're going to finish off hedging in the next two or three months because we're doing a rather more in-depth study of hedging than FASB is. And then in the second half of the year looking at these comments, the two boards will genuinely try to see if we can pull these together. It may not be possible, but both boards are setting out with the intention of trying to end up with one single standard.

We know it's very important. If we can't do that, perhaps we can find a way of reconciling from one to the other, so at least people can understand where the other would've ended up in the same company. You'd get the analysis and reconciliation from one to the other. That's answers broadly what's happening.

HH Thank you very much. So I suppose that, first of all, it's extremely important that FASB indeed does come out with an exposure draft on financial instruments within the next couple of weeks, otherwise the whole convergence agenda will become very hard to achieve time-wise and I suppose there is really very little leeway for temporisation of the agenda since many countries that have recently joined IFRS or are going to join IFRS want to join when the standard setting has stabilised. And secondly, there's the difficulty of substance of the matter. We'll have to wait and see what FASB comes out with in the next couple of weeks and see whether the two approaches can be reconciled or not. We'll simply have to wait I suppose.

It is obvious that the approach that the IASB has taken has been given a lot of support around the world. The room for manoeuvre is rather limited, so let's hope that the difference will not be too big.

Who would like to make further comments on this issue? Ask questions. Mr Barnier?

MB Just as far as convergence is concerned, we fully support the efforts made. This convergence made between the FASB and IASB, it's clear for us. Coming back to the point stressed by Gerrit, I just want to say that several aspects of the recent constitution review are very welcome steps in the right direction. However, and as I already said, we should continue reflecting about further improvements to the IASB governance.

I would just like to come back on one point, taking into account financial stability, greater coherence between accounting standards and prudential regulators should be achieved wherever possible, but I think it is not necessary against investor's interests.

HH Yes, actually one of the steps that are going to be taken hopefully by the prudential regulators will bring the two standards a bit closer together. If, for example, a leverage ratio is introduced in the Basel instrumentary, that is basically an unweighted capital ratio, such as we apply in regular bookkeeping standards, and that would be one way of bring the two standards closer.

And I think at least there is very good communication going on between the IASB and the Basel Committee. I already see Sylvie who wants to make comments on this issue, but I think we all support the fact that there has to be very close communication between prudential regulators and the accounting standard setters. Please, Sylvie.

SM I guess there has been increased cooperation with the accounting standard setters and the prudential regulators and that's something which is very welcome, and I would thank the IASB for listening to me when I come and we have a very fruitful exchange of views.

But I would certainly agree with Commissioner Barnier that financial stability is not at all against investor's needs because when you have greater financial stability, in fact, it's very much beneficial for investor's needs because you have much more stability, you don't have to have less volatility. And we do understand that the first objective is to give good information to investors, but we really think that looking at financial stability in this issue will indeed improve the global macroeconomic environment and that will be very helpful for investors.

The issue you mentioned on the leverage ratio, which is something that very much highlights the current differences between the two standard setters and they're really a big issue of concern for us, given the necessary level playing field between market participants, and on this issue we already have had a lot of discussions.

But clearly that's also a point where the differences between the US GAAP and the IFRS has a lot of consequences for market participants because of course due to netting agreement, due to a lot of things, there are huge differences and basically the

prudential standards are based on accounting numbers and so we have great interest to see these accounting numbers converge, but most of that being the right thing, the right description of market activity and financial activity.

HH Yes, I think we can agree with that for a worldwide leverage ratio to be introduced, which I think is extremely important. The numbers have to be comparable between the two leading standards in the world. That's true. By the way, I also believe reliable accounting numbers are extremely important for financial stability, as the case of Greece has shown; what happens if the numbers are not trusted anymore. David?

DT Just to say, picking up from Sylvie, we recognise, both boards, the problems of the leverage issue and the netting that's used on the US GAAP, but is not under IASB standards and we are discussing that with FASB. We realise we have to try and come down to just one method.

The other aspect which we're discussing with Basel is the expected loss model which we put forward, and Basel has come up with a more operational method I would think from the one that we exposed and we're working to see how we adapt that.

On unexpected losses we have put forward proposals that could maybe lock in some undistributable reserves and we're discussing that with the regulators too. So we're having a very constructive dialogue, which of course we keep FASB informed of as well as we work through this together.

HH The IASCF annual report, Gerrit, would you like to...?

GZ The annual report is put forward to you in draft, so if there are any comments on that we can still correct the annual report. In terms of transparency, in our MoU we have together, we are supposed to report on a yearly basis to you about our activities; bringing this into the annual report also automatically makes it transparent and also available for the public, so that's why we took this form. We have nothing to hide in reporting to you and that can make the same reporting as we do to the public at large, so that was the idea behind it.

I think that there are no special separate subjects in the annual report which are not on the agenda, so if there are any comments on the annual report we are happy to receive them and see what we can do with them. But that's as far as my introduction goes.

HH Yes, I thought the annual report was very clear. I don't know if any members of the Monitoring Board have any questions at this point. The issue of where questions can be raised is of course the financial paragraph.

Around the substance of the annual report, no questions? Then I think we can move on to the next item on the agenda, which is the discussion of financing strategy.

GZ Maybe a few words for introduction; we had a struggle within our own group on our budget for 2010 and 2011 because it is quite clear that, especially if you want to do the work which is now in the plan and you also want to do a lot of outreach and receive a lot of comments, organise roundtables, etc, the funding of the IASB falls short.

We do have reserves so we were able to, through the reserves, to make this happen, but at the same time we also know that if the financing in the long-term is not improved we'll have to scale back the activities. We have to scale back through a contingency plan to make the bridges also longer and sustainable.

If you look at the appendix in the paper, where it shows the expected funding and what we would need if we would do all the things which are critical and important, and you also look at what would be a proportionate contribution of the different bigger countries, then it's clear that the biggest gap is the financing contribution from the United States.

We are still dependent. In quite a few countries contribution schemes have been made which are not dependent on voluntary contributions of companies, but are more general schemes, sometimes also a contribution through a government. In the US we still have to go with hat in hand to collect and that is a procedure which is getting more and more difficult. We lost also a few big contributors, like Lehman, like Bear Stearns, **Merrill** Lynch probably because it was emerging as somebody else.

The second issue is that I hope I can have a bilateral discussion in Brussels with the commissioner. The European contribution up till now is coming from individual countries and is delivering 4.4 million. So it's millions, and there is a proposal or there is legislation which will make the contribution of individual countries – that will be changed into a contribution from the European Commission.

There are two issues at stake which I hope we can discuss with Commissioner Barnier bilaterally that is first as a condition, whether according to the view of the Commission the conditions are met – that is the first thing – and the second thing is that the level of the contribution which was based I think on the budget of 2004 or 2005 originally, whether that can be updated towards the more relevant demand for money for the coming years, which is higher.

So there is a potential gap also in European financing, but our Asian colleagues are very active in getting contributions from more Asian countries, Asia and Oceania I should say, and they have an active approach of also getting bigger countries in Asia to contribute. So I think that if we would be able to solve the American gap and the potential European gap, then our financing needs are far less and then we can be more comfortable about the activities of the IASB than with the present uncertainty.

So we took a bit of a gamble by using our reserves for 2010 and 2011. Of course we have a contingency plan there, but if the level stays as it is, then the organisation can still survive, but that will mean a real cutting down in activities compared to what the IASB is doing now.

HH Thank you, Chairman. Any comments? Mary?

MS On behalf of the US gap I think the Trustees and the Monitoring Board all know that we're very committed to finding a solution to the US funding issue and we're working very hard on both a short-term and a long-term, stable, lasting approach to this. And I guess I would ask that the US Trustees work particularly closely, if they would, with the staff of the SEC to help us come to some kind of a conclusion about how we can fill some of the gap.

So we are working also on some short-term issues to hopefully help us address some of these issues this year, but the right answer is a longer-term solution. If you look at the roadmap that we've laid out with respect to IFRS it's quite clear that that is a condition for the Commission to go forward in 2011, that the IASB have sufficient, stable, long-term funding to help ensure its independence going forward. So we're very committed to trying to resolve this.

HH Okay, so the SEC is looking for both short-term and longer-term solutions. Michel?

MB The first priority must be to ensure stable and sufficient funding from all jurisdictions. It is true that in September 2009 the EU adopted a legal basis to fund the IASB from 2011, but I must say that from the beginning that's not automatic and must be approved every year, both by the Council and by the department and I counsel that it is not a formality.

I want to work very closely with the Council and the department. And I think it would be premature to envisage an increase in our budgetary contribution at this stage; first other jurisdictions must make an additional effort. But, Gerrit, I understand your concern and I'm totally ready to have a bilateral meeting with the board of Trustees on that point.

HH Katsunori?

KM All countries should meet their financial requirement. The IASCF meanwhile needs to review the funding system so that it will achieve financial resources from more and more countries in a fair and balanced manner.

And about the planning for the future, in Asia and Oceania many countries are expected to accept IFRS in or around 2012. For a smooth implementation of IFRS in this region it is extremely important to set up a liaison office in the region.

As mentioned in the letter from the IASCF Chair, for this purpose the IASCF should give consideration to the financial side as well. I think that cost benefit analysis on all expenditures is very, very important.

HH Yes, Greg?

GT Like earlier speakers I'd like to thank and commend the board of Trustees and indeed the IASB for addressing a very important point in terms of the financing gap and look forward to a solution to that problem which is obviously critical.

I also wanted to add my voice to Katsunori's voice on the issue of the contingency planning for the future, and particularly under the control of Chairman of the Emerging Markets Committee, Guillermo Larrain, and make a similar point about the importance of outreach and communication.

As we get to the point of adopting so many of the new standards, from an emerging markets perspective very much the success of implementation of IFRS will depend on the capacity of the local profession, as well as local regulators, to implement this effectively, and the expenditure therefore on issues of outreach is absolutely critical in that regard.

And so, as you're thinking about the funding gap and as you're thinking about potentially contingency plans, which we hope we don't get to, but almost regardless I just wanted to make a point on behalf of emerging markets about the importance of this outreach activity.

HH Yes, I think we can all see that for an organisation consisting of 115 member countries that it is important to have regional offices in place for outreach activities, but obviously it is also clear that IASB cannot continue to run deficits of 2 million a year on such a limited budget. So I think it's very wise to have these contingency plans in place, but let's hope that they will not have to be invoked. Yves and then Sam.

YTS I am a new Trustee, but I am fascinated by this problem because, first, the level of expenditure is very low – £25 million. For example, a company as Vinci where the comfort is very strict, under €50 million, is not under control of the board. It's under management control. For us it's out of the scope. No investor asks or requests us for more details on our financial risk control, so it's very, very small. That's the first point.

Secondly, there is no investment, only human resources, and we want to have high quality standards. It's only a question of human resources. We have to be able to go to the market to hire the adequate persons to make this work. We have to be in the market; if we are out of the market, we are not able to find the people. On the consequences, it's not good for the quality of the standards. So what do you want? If you want to have high quality standards, plus convergence, and if you want to maintain the level of work, please, I am happy to be with Mary and Michel and others to to ensure the funding.

So the role of the Trustee, there I think you have to put pressure on all the Trustees to ensure the expenditures are well used, but it's a role for humans. I think we cannot continue to have £2 or 3 million of deficit and it is a risk for the quality of the standards. So I think we need to have visibility, stability and enough resources because it's not a very big amount. Thank you.

HH Yes, it looks like peanuts, but accountants like counting peanuts, right, Gerrit?

GZ Well, peanuts belong to monkeys. But I think that looking at our outreach activities and also the satellites we can finance outreach activities in '10 and '11 because then we run a deficit, but we cannot do it if there is no supplement to

refunding for the years later. So until now, in our financial planning there is no satellite, neither in North America, neither in Asia, although we wish to have that on a small scale. It's not a huge bureaucracy we want to create, but also a basis for outreach activities in these regions.

But before we can really decide on that we need to have a better funding position and we cannot sell the skin of the bear before we've shot it. We hope to shoot and you will help us shoot the bear and then we can sell the skin, and then we can also do these outreach activities and these satellite activities as we would wish to do.

So I hope that also from the Monitoring Board we will have support for creating a sound funding situation, and then the European and the American, especially the American, financing dimension is crucial. We took some risk, although we immediately have a ramp down plan for past '11, but that is a rather nasty ramp down plan where we must diminish all kinds of activities, including outreach activities. That would not be in the interest, I think, of the organisation and of the standards.

HH Thank you, Gerrit. I think the situation is pretty clear and if the Monitoring Board can be of assistance we will gladly do so. Then item number six on the agenda is planning strategically for the work following the completion of the IASB Memorandum of Understanding. Please, Gerrit.

GZ It's an extremely short paper. For the Standard Advisory Committee, there also we've already prepared a bigger paper. The idea is that we start already this year in thinking what should happen after mid -2011. We want to have an open mind in the sense of the scope, what are the activities of the organisation, and also, and that must interest Commissioner Barnier, whether new improvements in governance are needed. So maybe if I visit you on the finance we can also talk about your ideas about governance. We can take this into this strategic development. Yes?

MB Two points, governance and financing.

GZ Yes, they could be linked. Yes, until now individual European countries didn't make the link, but it's shared as the Commission in it sees a link and, well, let's talk about that. But this is a thing we are open for; the same goes for the financing issue, how should the organisation be structurally financed, so we are looking a bit over the hedge in the further future.

Another thing will be what kind of standards are still to be improved. We have a procedure about post-implementation reviews, so that if a standard has been put forward, that after a few years you look at whether it's doing its work in the way we thought it would be. So we'll come back on these strategic issues to you.

Also as a Monitoring Board we will first as Trustees think about how to do this, but we certainly want to involve also all stakeholders, including the Monitoring Board, before we come up with a concrete plan.

HH In that respect I think it's right to mention that the Monitoring Board earlier today decided to discuss among itself to study the governance issue itself as we are

entitled to do now in MoU, and in our next meeting we will come up with a proposal to ourselves of how we're going to do so.

GZ Maybe to add to that, what we certainly do not see as our job is to think about the Monitoring Board itself, the composition, whether there should be more in or out, or whatever.

HH No, I think that is something we are going to discuss amongst ourselves.

GZ Because clearly we think the competence of the Monitoring Board, so we were involved when the Monitoring Board was created, but once it's created we are lost. We're just a subject.

HH Yes.

GZ We created our own god.

HH Yes, exactly. At least our relationships are very clear right now. That's an enormous advantage. Okay, Katsunori, please.

KM Thank you, Chairman. I understand that greater endeavour is required for the IASCF to achieve the goal towards establishing a single set of high quality, international accounting standards. I appreciate that continued effort by the IASB to achieve the goal in collaboration with national accounting standard systems in various jurisdictions.

In terms of the convergence process itself, it is crucial to carefully contemplate opinions from various jurisdictions and their constituencies. In the convergence process the global standard should not be biased by any particular existing accounting standards, and considering the fact that the IASB will complete so many important areas, during the process of the MoU project with FASB, the IASB should focus its efforts on smooth implementation of IFRS around the world and make an attempt to avoid confusion among the preparers and the investors after the completion of the MoU project. The IASB may need to continue its work on making necessary revisions, but should refrain from revising too frequently in order to avoid confusion among preparers and investors.

And the next point, as the result of constitution review, due process can now be accelerated further than the minimum of 30 days only after the most exceptional circumstances, after approval by at least 75% of the Trustees. But the Board and the Trustees should be extremely cautious in determining the actual implementation of the shortcut of a due process. Even in exceptional circumstances sufficient time should be ensured for a wide range of stakeholders.

HH Mohandas?

MP Jim and I would like to bring to attention that after 2011 the emerging markets will have an extremely high stake in the independence of IASB because many countries are coming onboard and it's truly becoming a global standard. They're all committed.

There is a concern in the emerging markets about the IASB, that the IASB should remain independent, there should be no conditions about funding from different blocks, from different countries, and we should do everything to make sure that the issues affecting the emerging markets are also put on the table because right now it's a debate in the EU and the US in terms of this convergence. The whole debate is that the whole investment is going towards a single set of standards. The standards at this stage do not reflect what the emerging markets need.

I want to point out one issue; the standards are based upon free convertibility of currencies. The emerging markets don't have free convertibility and the standards impose an unreasonable burden on countries which do not have free convertibility.

So after we finish 2011, the issues affecting the emerging markets should form an equal place on the table and on the agenda, the independence of IASB should be preserved at all cost because we do have some concerns, and the funding should be done in such a manner that it remains independent.

I just want to bring this to attention so that in your deliberations the views of the emerging markets are a concern because they will have a very, very large take post-2011.

HH I would say it's obvious that the nature of the organisation is changing very quickly. We have to take that into account and that's something that we will take into account in our own discussions in the Monitoring Board as well, and I have picked up this signal from various emerging nations. Actually, they emerge very quickly these days. David?

DT Hans, Gerrit just asked me to comment a little on what might happen after 2011 as far as the standards in the agenda are concerned. We are aware, FASB and ourselves, that many standards will be completed next year. We are going to issue a paper asking how the financial community thinks we should make these effective. Do we do it all in a big bang with early adoption for countries newly coming onto it so they don't have to change twice, or should there be a staged implementation? So that's something that we will be putting forward.

At the same time, with the standards we know that there's going to be a lot of exposure at the same time with FASB and, in fact, the two boards are meeting at this precise moment discussing this. We are going to increase the outreach, as we did in IFRS 9. We're going to visit companies and major organisations on each of the major issues to find out in advance of the comments coming in, or while they are coming in, what exactly the problems are. We're going to have educational sessions, we're going to have roundtables, so in fact a lot of our efforts now are purely on outreach. It's not just simply wait for letters; we are actually much more proactive, both FASB and ourselves.

We are collecting at present sort of issues that Mohan just raised. What in our standard, a sheet of standards are causing problems internationally, now, foreign countries is clearly one. Korea and India have major issues with that. We know that. Income taxes, you could almost use the line on IAS 39 if you understand it you

haven't read it properly; it's horribly complex. The shared based payments, the same, too complicated. Associate accounting shouldn't exist and we want to have a look at that. Government grants and antiquated standards, we've got five of our existing standards that need a major overhaul.

And then we come down to the areas that we haven't touched yet, common control a major European issue, extractive industries – a lot of the developing world want us to do that. In fact, today we've just issued a discussion paper on that. And we want to have a look at those subjects that we promised after two years we'd have another look at; segments is one.

The idea would be that we will issue a paper in the autumn with all the subjects that we've collected, with the pros and cons of development, and we will be able to do all of them, and we will ask for a priority and then we'll come back and discuss that with our Advisory Council, with Trustees, in public before we make a final decision. But for the first time we're going out with this. We haven't been able to choose an agenda before; it's rather been dictated by the old Memorandum of Understanding and what we inherited from our predecessors, but this is something in the constitution that will be done every two or three years.

HH Well, after hearing Katsunori I thought your successor might be able to take it easy, but not too many changes please. But listening to you there's still plenty on the table, but what is important indeed is that the constitution now says that the agenda will be disclosed and up for discussion so everybody can chip in and contribute to the final agenda. Okay, any other comments at this stage?

Several people have asked me to draw this meeting on as long as possible, but I'm afraid we're not able to do so because we're already approaching the end of this meeting. The last item on the agenda is enhanced stakeholder engagement and outreach relationships, including enhanced technical dialogue. We've basically discussed it already, unless David has anything to add to that?

Is there anything else we need to discuss? Anything else someone wants to bring forward? Then I think we can conclude this meeting by thanking you all for being here and having such a fruitful exchange of views. Thank you very much.