

Monitoring Board Meeting

(Minutes of Private Meeting)

Date: 2 February, 2015

Venue: Zurich

Note: Minutes of private meeting, summarizing the discussion held.

Minutes of the Meeting of the IFRS Foundation Monitoring Board Zurich, 2 February, 2015

On 2 February, 2015, the International Financial Reporting Standards (IFRS) Foundation Monitoring Board met before its meeting with the IFRS Foundation Trustees. In this meeting, the Monitoring Board discussed a range of topics, focusing on the Foundation's governance and accountability.

The participants of the meeting included James Schnurr (U.S. Securities and Exchange Commission), Ugo Bassi (European Commission), Masamichi Kono (Financial Services Agency, Japan), Leonardo Porciúncula Gomes Pereira (the Comissão de Valores Mobiliários (CVM) of Brazil), Hak Kyun Kim (Financial Services Commission (FSC), Republic of Korea), David Wright (Secretary-General of IOSCO¹, as Representative of the IOSCO Board) and Prinasha Pillay (Financial Services Board, Republic of South Africa, as Representative of the IOSCO Growth and Emerging Markets Committee). Rene VanWyk (Reserve Bank of South Africa, as Representative of the Basel Committee on Banking Supervision) participated in the meeting as an observer.

1. Selection of New Monitoring Board Members

- Report on the status of extended screening for permanent member seats

Following the recommendations of the "Final Report on the Review of the IFRS Foundation's Governance" (February 2012) (hereinafter referred to as "the Governance Review") and the agreement on the procedure for membership selection, the Monitoring Board continued to evaluate the applications received from non-member authorities for the remaining up to two permanent seats. Those applications were made subject to an extended screening process pursuant to a previous agreement of the Monitoring Board. The Monitoring Board conducted a phone interview with an applicant authority to deepen its understanding of the applicant's enforcement mechanism and use of IFRS in that jurisdiction.

After the interview, it was agreed to further review and consider the additional information provided by the applicant.

¹ International Organization of Securities Commissions (IOSCO)

- Report on the status of consultation with IOSCO for rotating member seats

David Wright, the Secretary-General of IOSCO, reported on progress in the nomination process for the appointment of two rotating member seats in consultation with IOSCO. The Monitoring Board members agreed that the allocation of a total of four seats including the representatives of the IOSCO Board and the IOSCO Growth and Emerging Markets Committee should aim to achieve an overall geographical balance.

2. Developments in Governance and Compliance Issues of the IFRS Foundation

While progress has been made in implementing the recommendations contained in the Governance Review report, some items remain for further consultation.

One item was related to the referral of agenda items from the Monitoring Board to the IASB pursuant to the IFRS Foundation Constitution (“IASB agenda referrals”). The Governance Review report recommended that a feedback mechanism be developed with the Trustees to ensure that, “if the Monitoring Board refers an agenda item to the IASB, in response to the Monitoring Board’s referral and in the event that the IASB determines not to take up the referred issues, the IASB will demonstrate to the Trustee and the Monitoring Board that adding the matter to the IASB agenda would be inconsistent with the standard-setting responsibilities established in the Constitution.” The Monitoring Board concluded that it would be appropriate to seek the Trustees’ views on the need and the form of an appropriate feedback mechanism.

Another item discussed was related to the IASB Chair selection. The Governance Review report states that “The Monitoring Board will agree with the Trustees on a set of criteria for selecting potential candidates, which will be documented and made public” and “The Monitoring Board and the Trustees will document and publish the general arrangement for the selection process.” Following the recommendations, the Monitoring Board will cooperate with the IFRS Foundation Trustees and support the establishment of the IASB Chair selection and criteria of potential candidates.

3. Convergence of Accounting Standards for Financial Instruments

Taking this opportunity, the Monitoring Board members also discussed the importance of convergence between IFRSs and US-GAAP with respect to financial

instruments. Some members suggested that the Monitoring Board should ask the IASB to continue to seek opportunities for further convergence of the accounting standards for financial instruments, particularly with regards to impairment, while others opined that any such move should not result in pressure on the IASB to revisit the standards. In conclusion, it was determined to convey a summary of the Monitoring Board's discussions to the IASB in the subsequent joint meeting with the IFRS Foundation Trustees.

The Chair of the Monitoring Board also provided an update on recent communications with the G20 presidency, the chairman and the members of the Financial Stability Board (FSB) as well as with other stakeholders with respect to the convergence issue. At its meeting in Cairns, Australia, on 17-18 September 2014, the FSB reaffirmed its support for the continued development of IFRS as a set of high-quality global accounting standards.

4. Funding of the IFRS Foundation

The Secretariat of the IFRS Foundation Trustees, gave an overview of the IFRS Foundation External Operational Expenditure review, which was conducted by Baker Tilly. The review was completed by September 2014.

The Monitoring Board took note of the results of the review and provided support for the efforts made by the Foundation, and agreed that such reviews should be conducted again, as needed, in the future.

5. Selection of the Monitoring Board Chair

David Wright, Secretary-General of IOSCO, was appointed as the chair for this session. The Monitoring Board agreed by consensus to reappoint Masamichi Kono, incumbent Chair of the Monitoring Board, as the next Chair for a term of two years. As the first term for Mr. Kono will expire in February 2015, he will now serve a second term from 1 March 2015 until February 2017.

A press release was issued on 3 February 2015 to announce this reappointment.

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