



The Monitoring Board
International Financial Reporting Standards Foundation
30 Cannon Street
London
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31 March 2011

Dear Sirs

Review of the IFRS Foundation governance

ACCA (Association of Chartered Certified Accountants) is pleased to have this opportunity to comment on the above public consultation paper which was issued by the Monitoring Board (MB) and considered by ACCA's Financial Reporting Committee. I am writing to give you their views.

We have recently responded to the strategy review consultation launched by the IFRS Foundation Trustees which to some extent covers the same ground as this. There needs to be action taken in a co-ordinated way on the results of these two consultations.

General remarks

We consider that the MB document is a fair and comprehensive summary of the key issues of the governance of the IASB, without including the due process aspects of standard setting which should be the responsibilities of the Trustees.

We support the current three tier structure for the governance of the IFRS Foundation broadly as follows

- The IASB as the independent standard setter
- The Trustees responsible for oversight of IASB, IASB appointments and funding
- The MB for the approving of appointment of Trustees, monitoring their oversight and intervening in exceptional instances where the IFRS activities may not be meeting the public interest.

ACCA's answers to MB's questions

Q1. Improve the diversity of candidates for IASB membership

It is clearly important that there should be a good pool of candidates for IASB membership with diverse backgrounds. It is less clear to those of us on the outside whether the pool has been deep enough, but we can observe that the make-up of the IASB from July 2011 after the next round of retirements will represent diverse backgrounds in terms of

- geographical background (5 from Europe, 4 from USA and one each from 6 other countries – Australia, Brazil, China, India, Japan and South Africa)
- professional backgrounds (7 regulators, 3 preparers, 3 users and 2 professional practice)

Areas where there may need to be some rebalancing are

- members from the developed economies as opposed to members from developing economies
- fewer regulators and more people with recent experience as either users or preparers of IFRS accounts.
- Gender balance (2 women and 13 men)

Concrete proposals for changing this may be harder to come by. While in the executive summary of this document this is directed to IASB this would seem a matter for the Trustees.

However achieving these various balances is difficult. In our view the critical objectives which should be first met are that

- The quality of the people appointed to IASB and the interpretations committee should be high
- There should be no systematic bias in the people appointed

Q2. Proposal to separate roles of IASB Chair and CEO of the IFRS Foundation

We agree that there needs to be a clearer separation in the IFRS Foundation between the management responsibilities for standard setting on the one hand and oversight (including funding) on the other. The IASB Chair should be responsible for the former, but in future have no responsibility or authority for the latter. A new role should be established to manage the resources, including staff, supporting the Trustees' oversight and funding activities and probably also including any educational and publishing activities.

We are not sure that Chief Executive Officer of the Foundation would be the right title for this role. Two of the reasons for the MB proposing the role seem to be

- the risks to independence from the IASB Chair having to be involved in fundraising
- meeting demands for the IASB Chair to travel to different parts of the worlds

The Chair of the IASB should not be involved with fundraising. Demands for travel and appearances from IASB would be better met by the creation of one or two vice-chairs of IASB as permitted by the constitution, rather than a CEO.

Creating a CEO with some responsibilities over the standard setting activities would risk creating unhelpful tension over the management of those functions. The IASB Chair should have the executive responsibility for the deployment of staff and other resources for standard-setting within the constraint of an overall budget set by the Trustees.

Q3. Clearer separation of staff between standard setting and oversight

We agree that there should be a clear separation of staff between these functions as well as management responsibilities (see our answer to Q2 above).

Q4. Please provide comments on Trustee composition

We consider the current geographical balance for the appointment of trustees seems reasonable. This geographical balance should be kept under review and its rationale should be made clear (presumably around GDP, stock market capitalisation, population etc.) in order that the basis for revisions can be transparent.

We agree with the requirement for a balance of backgrounds, but are not sure that the special allocation of trustees to the prominent international accounting firms is justified given that overall requirement, nor the reference to a specific consultation with IFAC.

We support the current roles of the Trustees and the MB in the appointment of new Trustees.

Q5. Do you agree with the proposal for increased transparency for Trustee nominations and for clarification of criteria of candidates?

We agree.

Q6. (1) MB membership confined to capital markets authorities

We agree. The objectives of IFRS in the constitution are directed firstly to the capital markets. There are other stakeholders in IFRS outside capital markets, but the capital markets represent a primary focus. The membership of the MB would be best unambiguously aligned with those objectives and therefore restricted to capital markets authorities.

(2) Expanding the membership of the MB to other markets

We agree that it is essential to extend the membership beyond the few developed economies currently represented. The membership will need to be kept under review to reflect economic developments, as with the balance of Trustees (see Q4 above). The proposals seem to strike a reasonable balance between keeping the MB to a manageable size and yet encouraging support in different countries for IFRS.

(3) IOSCO to choose rotating members

We agree.

Q7. MB to operate on a consensus basis

We agree that this is appropriate for its oversight role. However in certain decisions (such as the appointment of trustees) and as the MB expands there may be a case for some sort of super majority which could pass decisions in the last resort to prevent a single member for example blocking matters by exercising a veto.

Q8. Ensuring involvement of other public authorities in MB

Even though the primary focus of IFRS should be on capital markets, as noted above there are other stakeholders in IFRS whose interests are looked after by other public authorities. The most appropriate way for involving those such as banking and insurance supervisors, the IMF, World Bank and the Financial Stability Board would be via observer status on the MB.

Q9. Involvement of all relevant stakeholders and public policy objectives in setting standards.

We broadly consider that the current arrangements do allow for all voices to be heard via the due process of the IASB and it is critical therefore that process meets the highest standards. The IFRS Advisory Council includes a wide range of stakeholders, albeit that as a single body of less than 50 members cannot

hope to include all relevant stakeholders in all countries. The IFRS Foundation should be making the maximum use of it.

Q10. Appropriate means and venues for enhanced visibility of MB

There should be appropriate publication of papers discussed at MB meetings and their joint meetings with Trustees. After each meeting of the MB a press release of key matters discussed and decided should be released and highlighted on the IFRS and IOSCO websites.

Q11. Should the MB have the explicit power to add an item to the IASB agenda?

We support much greater involvement of all stakeholders in agenda setting at the IASB via a public due process and are pleased to note that this should take effect during 2011. Also the Trustees need to take an active, challenging and visible role in this aspect of their oversight. We consider the current arrangements whereby the MB can discuss significant issues with the Trustees and the IASB chair are sufficient and no explicit power is needed for the MB to add items to the agenda, or indeed to delete them.

Q12. Do you have concrete suggestions on how the MB or the Trustees could encourage a move to a more stable and independent funding model?

We support the essential characteristics of a funding system for global standards that have been identified by the Trustees, namely that it should be

- Broad based
- Compelling
- Open ended in the sense that it should be for several years forward
- Country specific

These will be best met by publicly organised levy type systems on stock exchanges or on listed companies. The members of the MB and through them all IOSCO members should have the primary responsibility for putting such systems in place in their various jurisdictions. The Trustees should set the overall level of funding required by the IFRS Foundation in a budget and the proportion due from each jurisdiction on a rational and fair basis – perhaps on GDP or on stock market capitalisation. The levy systems should then collect that for them.

Q13. Should MB have a more prominent role in the selection of the IASB Chair?

The MB should have no explicit role in the selection of the IASB Chair. This appointment is of course more significant than the appointment of other

members of IASB, however the constitution should not depart from the basic principles that underlie it, namely that the MB approve the appointments of Trustees and the Trustees appoint the IASB including the Chair.

Q14. Should the MB have an explicit role in the framework to ensure a balance in the composition of the IASB?

This does need to be specifically referred to. It should be covered by their monitoring of the work of the Trustees in making appointments to the IASB.

Q15. Permanent secretariat for MB

This should be largely a question for the MB to decide among itself. However the key roles as we have set out in our general remarks (approval of Trustee appointments, monitoring oversight and exceptional interventions for the public interest) do not seem to warrant a secretariat since they will be largely based on the work of the Trustees' staff.

Q16. Do you agree with the need for regular reviews of governance, and the interval of five years as a benchmark?

We agree with this approach.

If there are any matters arising from the above that require further clarification, please contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Martin', written in a cursive style.

Richard Martin
Head of financial reporting