

## Financial Accounting Standards Foundation (FASF)

Fukoku Seimei Building 20F, 2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan  
Phone +81-3-5510-2711 Facsimile +81-3-5510-2712 URL <http://www.asb.or.jp/>



April 8, 2011

IFRS Foundation Monitoring Board

Dear Sir/Madam

Comments on *Consultative Report on the Review of the IFRS Foundation's Governance*

We, the Financial Accounting Standards Foundation, appreciate the Monitoring Board's efforts to the review of the governance structure supporting IFRSs as a set of high quality, globally accepted accounting standards and welcome the opportunity to comment on *Consultative Report on the Review of the IFRS Foundation's Governance* issued by the IFRS Foundation Monitoring Board. We consider that the review by the Monitoring Board is timely as more and more countries are moving towards the adoption of IFRSs. We hope the review, in conjunction with the Strategic Review undertaken by the IFRS Foundation Trustees, will achieve a more robust governance structure for the IFRS Foundation.

We believe that the current three-tiered governance structure itself is appropriate. Although there may be room for some improvements to the IFRS Foundation and the Monitoring Board, we do not consider it necessary to make drastic reforms as proposed in the Consultative Report, such as expansion of the size and functions of the Monitoring Board.

Our responses to specific questions are as follows:

*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 background? Please provide reasons for your agreement/disagreement.*

**Comment:**

We agree with the proposal, but there is no major problem at present and we consider that the balance is well maintained about the geographical and professional background.

*Question 2 :*

- *Do you agree with the proposal to separate the roles of the IASC 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.*

Comment:

We disagree with the proposal at present. The Foundation need be operated efficiently to make the most of limited resources. In light of the current size of the Foundation, we consider that serving concurrently as the dual role of the IASB Chair is practicable and helps efficient operations of the Foundation. There seems to be no problem about independence of the standard-setting process in the current structure.

*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 suggestion on how to formalize this? Please provide reasons for your agreement/disagreement.*

Comment:

From the viewpoint of efficient operations of the Foundation, we disagree with the proposed clearer division of staff functions because we find no major problem at present.

*Question 4 :*

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

Comment:

Geographical and professional background should be taken into consideration so as to reflect diverse concerns and views in the Trustees. Ability to have an influence in financing of the Foundation should also be taken account of.

*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?*

**Comment:**

We agree with the proposal to provide increased transparency into the process for Trustees nominations. The Monitoring Board should be involved in the selection from the nominated candidates of Trustees, not in the nomination process. The Monitoring Board should be accountable for the results of its process of selecting the Trustees.

- *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.*

**Comment:**

We agree that further clarification of criteria for the Trustees' candidacy would help support confidence of the stakeholders. It is because the confidence depends on the transparency of the process, which would be increased by clarification of criteria for candidacy.

**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?*

**Comment:**

The membership of the Monitoring Board should continue to be confined to capital markets authorities, because the members should be those who can best fulfill the expected roles.

- *Do you agree with the proposal to expand the Monitoring Board's membership by adding a mix of permanent member ([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?*

**Comment:**

We support the current three-tiered governance structure, including its composition, roles and responsibilities. Therefore, we disagree with the proposal to drastically expand the Monitoring Board's membership, which would make it difficult for the Monitoring Board to continue to make its decisions by consensus. Although we understand the argument for adding members representing major emerging markets, we are uncomfortable about the proposal to expand the membership without clarifying which capital market should be chosen. Before such a proposal, there should be a convincing analysis and judgment about what is the adequate size of the Monitoring Board in light of its roles and what are the problems with the Monitoring Board at present. If the membership is to be expanded, it would be necessary to consider reasonable criteria for selecting the membership of the Monitoring Board, including not only the size of the capital markets but also openness of the capital markets, contributions to the development of IFRSs and financial contributions.

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

Comment:

We agree with selecting rotating members through IOSCO, because it covers market authorities other than those of major capital markets in the world.

*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.*

Comment:

We agree that the Monitoring Board should continue to make its decisions by consensus.

*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 member 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?*

Comment:

We agree with expanding the member of Monitoring Board observers to hear diverse views and holding more formalized dialogue with public authorities and other international organizations. However, we disagree with establishing an advisory body composed of financial market authorities and international organizations, because it would in effect result in a four-tiered governance structure.

*Question 10 :*

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

Comment:

The visibility of the Monitoring Board's activities should be enhanced as much as possible. The Monitoring Board's actions and activities should be timely made public through press releases.

*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.*

Comment:

We believe that the current arrangements for Monitoring Board involvement in the IASB's agenda-setting should be retained to maintain the IASB's independence in standard-setting. The IASB's agenda-setting is sufficiently monitored by the IFRS Council's involvement from technical viewpoints as prescribed in the Constitution.

*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?*

**Comment:**

Since financing the Foundation is responsibility of the Trustees, the Trustees should consider a stable and independent funding means including automatic financing linked with the actual use of IFRSs. However, the Monitoring Board should actively cooperate with the Trustees and urge public authorities to cooperate in ensuring stable financing of the Foundation.

*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.*

**Comment:**

The selection of the IASB Chair should be entrusted to the Trustees as currently prescribed in the Constitution, from the viewpoint of ensuring independence of standard-setting.

- *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 give reasons.*

**Comment:**

We disagree with giving the Monitoring Board specific role in the selection of the IASB Chair, because we believe that it should be entrusted to the Trustees.

*Question 14 :*

- *Do you agree with 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 you agreement/disagreement.*

**Comment:**

The selection of the IASB members is responsibility of the Trustees. From the

viewpoint of independence of standard-setting, the Monitoring Board should not be directly involved in it. The Monitoring Board's involvement should be only a review of the responsibilities to be fulfilled by the Trustees in selecting the IASB members.

*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.*

Comment:

We disagree with creation of a permanent secretariat because it would lead to an undue enlargement of the Monitoring Board.

*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.*

Comment:

We appreciate the IASB's current efforts to ensure the appropriate involvement of relevant stakeholders through arrangements such as roundtables and outreaches. As we mentioned in our comments on "STATUS of TRUSTEES' STRATEGY REVIEW", we believe that it is essential to maintain the objectives of financial reporting and independence of standard-setting. As long as those would not be undermined, we do not object to involvement of public authorities.

*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.*

Comment:

We agree with the need for regular reviews, considering continuous changes in environments expected in the future. And we agree that the interval of five years in line with the Foundation's Constitution reviews would be appropriate.

*Question 17:*

— *Do you have any other comments?*

We have no other comments in particular.

Sincerely yours,



Hideo Takahashi

Secretary General

Financial Accounting Standards Foundation (FASF)