



Mr Makoto Sonoda
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Dear Mr Makoto Sonoda,

IFRS Foundation Monitoring Board Report on Governance Review

The Belgian Accounting Standards Board (BASB) is pleased to respond to the Consultative Report on the Review of the IFRS Foundation's Governance issued by the IFRS Foundation Monitoring Board in February 2010 (hereinafter the "Report").

Our detailed responses to specific questions in the report for public consultation are set out below:

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.

Answer 1:

We are of the opinion that in order to issue high quality international financial reporting standards, candidates for the IASB should at least have sound understanding of IFRSs and understand the objectives of international financial reporting. This was not always the case, as some members do not always have a sound understanding of financial reporting under IFRS.

As stated in Section 2.3.1. *Composition of the Trustees* of the Report, we believe that the same policies and procedures ought to be applied by the Trustees in search for valid IASB members. Besides that, the Trustees should also consult with associations of national standard setters, preparers, user groups and large audit firms during their membership search.

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.

Answer 2:

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We are of the opinion that by separating the roles of the IASB Chair and the CEO of the IFRS Foundation the historical conflict of interest will effectively be removed. Hence, we support this proposal as it refers to principles of good governance.

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.

Answer 3:

From our understanding, such a division of responsibilities already exists in an informal manner. Hence we would suggest to further formalizing this division in a way that the standard-setting activities will not interfere with the oversight activities of the Foundation.

Question 4:

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

Answer 4:

As the international financial reporting standards are applied on a global basis, we are of the opinion that this aspect should be reflected within the composition of the Trustees as well. In this context, we would like to propose that the Monitoring Board should be more transparent with regard to the appoint process and how these geographical aspects are being taken into account.

Question 5:

(a) 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?

(b) 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.

Answer 5:

(a) The BASB is of the opinion that greater transparency around the appointment of Trustees must be achieved by providing details with respect to the individuals that were consulted and the reasons why they were consulted. Besides that, the Monitoring Board should also prepare a shortlist of potential candidates and indicate why certain individuals were chosen. The members of the Monitoring Board should also clearly indicate the criteria upon which they have based themselves in order to select certain candidates.

(b) We agree.

Question 6:

(a) 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?

(b) 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?

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

Answer 6:

(a) We are of the opinion that the membership of the Monitoring Board should be confined to capital markets authorities.

(b) We agree expanding the Monitoring Board if this expansion will help the Monitoring Board meeting its overall strategic objectives.

(c) As IOSCO represents capital markets authorities, we are of the opinion that IOSCO is a valid organization for the selection of the 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.

Answer 7:

The BASB is of the opinion that the consensus-based approach is the most favorable approach for the decision-making process. This will ensure that the views of all parties are properly reflected and will limit the abuse of one or two jurisdictions dominating the strategic decision-making process of the Monitoring Board.

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?

Answer 8:

The BASB is of the opinion that a more formalized dialogue with regulators should be achieved as enforcement of IFRSs is also being monitored by these instances. Hence, the BASB believes that regulators should become observers of the Monitoring Board.

The establishment of an advisory body would only increase the administrative burden surrounding the Monitoring Board's activities; hence we fail to understand that this would effectively lead to an increased involvement of public authorities.

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.

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Answer 9:

The overall due process for standard development is a very time-consuming process as a result of the different levels of involvement and input of several stakeholders. The BASB believes that this level of involvement is required in order to ensure high quality standards that are generally accepted.

Secondly, we are also of the opinion that the IASB should increase the number of outreach activities already at an early stage with respect to key accounting issues like for instance leasing, revenue recognition, financial instruments, etc.

Question 10:

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

Answer 10:

The BASB believes that an increased understanding of the activities of the Monitoring Board can only be achieved by increasing the transparency surrounding the decisions-making process. This implies that materials concerning deliberations should be made available to all interested parties. With regard to this aspect, we suggest that the Monitoring Board should improve its website accessibility and provide press releases in relation to the decisions of the Monitoring Board.

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.

Answer 11:

Although members of the Monitoring Board will often be able to identify key areas for improvement within the current set of IFRSs, the BASB is of the opinion that the technical agenda of the IASB can only be the sole responsibility of the IASB. Hence, there can be no direct involvement between the members of the Monitoring Board and the agenda-setting process of the IASB. The only involvement in the agenda-setting process can only be justified via the Trustees' Due Process Oversight Committee.

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?

Answer 12:

The Belgian Accounting Standards Board believes that a transparent non-voluntary financing mechanism should be established. In our view, the financing aspect should be clearly separated from the involvement of certain stakeholders.

Question 13:

(a) 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

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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.

(b) 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.

Answer 13:

(a) We are of the opinion that the Monitoring Board should at any time be independent in relation to the selection of the IASB Chair. However, given the overall independence principle, the Monitoring Board should be allowed to share recommendations to the IFRS Foundation Trustees with respect the appointment of the IASB Chair.

(b) We refer to answer 13 (a).

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.

Answer 14:

We do not believe that an explicit mention is required, as this might potentially question the independence of the IASB and currently the Monitoring Board already has the option to contact the Trustees by means of the Nominating Committee.

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.

Answer 15:

The establishment of a permanent secretariat can certainly be an option in the nearby future, but given the current role of the Monitoring Board, the BASB is of the opinion that the establishment might be a little bit too early. We believe that the demands of the members of the Monitoring Board, as a result of a potential change in governance, should be assessed first, prior to the decision of the establishment of a permanent secretariat is taken.

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.

Answer 16:

The BASB is of the opinion that a regular review, for instance every 4-5 years, is deemed to be appropriate given the current and future challenges the Monitoring

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Board is facing. Since both the Foundation and Monitoring Board are inevitably linked, we believe that an aligned review process is useful.

Question 17:

Do you have any other comments?

Answer 17:

Currently, we do not have any other comments.

Yours faithfully,

Jan Verhoeve
Chairman BASB