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April 2011

IFRS Foundation Monitoring Board

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

Dear Takashi NAGAOKA and Makoto SONODA:

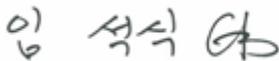
The Korea Accounting Standards Board (KASB) has finalized its comments on Paper for public consultation REVIEW OF THE IFRS FOUNDATION'S GOVERNANCE.

I would appreciate your including our comments in your summary of analysis.

The enclosed comments represent official positions of the KASB. They have been determined after extensive due process and deliberation.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may direct your inquiries either to me (suklim@kasb.or.kr) or to Ms. Hee-Jin Hong (hjhong@kasb.or.kr), a researcher of KASB.

Yours sincerely,



Dr. Suk-Sig Lim
Chairman, Korea Accounting Standards Board

Cc: Sungsoo Kwon, Director of Research Department

We are pleased to comment on Consultative Report on the Review of the IFRS Foundation's Governance. Our comments include views from a public hearing and responses collected from the various associations. We finalized the comment letter through the due process established in KASB.

IFRS Foundation monitoring Board

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

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.

AGREE

We believe it is crucial to deepen the pool of candidates for IASB membership. In particular, more emphasis needs to be put on the diversification of professional backgrounds than that of geographical backgrounds to ensure that the IASB has adequate expertise. However, it does not imply that consideration of geographical backgrounds is less important; rather, we think that professionals with diverse backgrounds would inevitably come from diverse regions across the world.

IASB members with more diverse geographical and professional backgrounds would allow themselves to approach various global accounting issues from the multi-faceted perspectives, thereby warranting the high quality of IFRSs. Moreover, It will also promote many regions to fully adopt the IFRSs.

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.

NO COMMENTS

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.

AGREE

We agree that there should be a separation of duties clearly demarcating their job responsibilities. It will also help providing guideline that explains their duties as well as communication between two parties.

Question 4:

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

NO COMMENTS

We are not aware of any issue with regard to Trustees' composition or appointments.

Question 5:

(1) 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?

(2) 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.

(1) AGREE AND SUGGEST

We agree that the nomination process for Trustee membership should be transparent. In our view, the transparency will be increased by putting a rigorous and systematic procedure in place. However, we are not convinced that more involvement of the Monitoring Board in the nomination process would improve the transparency.

(2) AGREE

Clearer criteria for Trustees' candidacy will increase the transparency in nomination process,

thereby improving the confidence level of the stakeholders. We would also suggest that the criteria be included in the Constitution.

Question 6:

(1) 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?

(2) 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?

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

(1) AGREE

Current membership confinement to capital markets authorities appropriately serves the purpose of establishment of the Monitoring Board, e.g. a formal link between the Trustees and public authorities. It will facilitate efficient interaction between the IFRS Foundation and capital market across the globe.

(2), (3) AGREE AND SUGGEST

We agree with the idea of adding a mix of permanent members and rotating members so as to cover both developed and emerging jurisdictions. With regards to expanding the membership to eleven members, complete and objective criteria must be developed.

We strongly believe that the primary criterion for appointment of the Monitoring Board member should be whether a candidate member country has fully adopted IFRSs or is committed to IFRS adoption. Experience of IFRS adoption would allow the countries that have adopted IFRSs to acquire greater knowledge and accumulate expertise, and it is apparent that the Monitoring Board would greatly benefit from such experiences. Accession of these countries to the Monitoring Board will also help overseeing the Foundation's strategy or governance.

When expanding the Monitoring Board's membership, complete disclosure of the nomination process of the Monitoring Board is necessary to secure transparency and fairness. The following criteria for nominating new members can be considered.

- Contribution
- GDP
- Capital Market Size
- IFRSs adoption

In applying these criteria, calibration may be necessary. One way we might suggest is to create a table for each criterion for individual countries, listing each country in order or rank. After ranking each category, summing each category and finalizing the total rank can be a method in setting up a transparent and unbiased nomination process.

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.

AGREE

We agree with the current decision making process of the Monitoring Board. Considering that the effect of the decision taken by the Monitoring Board on the capital market is significant, making decisions by qualified majority would make the process effective, but the decision may be rigged by the opinion of powerful minority.

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?

AGREE

We agree with expanding the number of Monitoring Board observers, such as FSB, IMF.

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.

DISAGREE

We do not believe that the current arrangements for the standard-setting process is appropriate in terms of the involvement of all relevant stakeholders and the consideration of all relevant public policy objectives. With regard to the rapid changes of the world economic environment in relation to the capital market, emerging jurisdictions should be much more involved in the standard-setting process in order for IFRSs to reflect these changes.

Question 10:

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

SUGGEST

We believe that any Monitoring Board's activities should be transparent. To secure desired level of transparency, it is necessary to publish the report on its activities and its performance results on a regular basis as mandated by the Constitution.

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.

DISAGREE

The independence of the IASB from the Monitoring Board is crucial for the credibility and transparency of the IFRS Foundation as far as accounting standards setting is concerned. Thus, we believe that Monitoring Board's involvement in the IASB's agenda-setting is not appropriate. Rather than the Monitoring Board, the current IFRS Advisory Council where IOSCO and other Monitoring Board members are present should be the appropriate venue in delivering agenda items to the IASB.

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?

SUGGEST

We believe that the goal to move towards more stable and independent funding model should be the Trustees' concern rather than the Monitoring Board. The size of economy, GDP or capital market may be the measures in providing a more stable and independent funding model. In particular, we think a system which attributes contribution to each country in proportion to the each country's capital market size should be established in order to improve the financial stability of the Foundation.

Question 13:

(1) 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.

(2) 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.

(1), (2) DISAGREE

We do not believe that the Monitoring Board should have a more prominent role in the selection of the IASB Chair. Monitoring Board should play a role as an overseer of the process rather than a participant. Otherwise, independence of the IASB and the Trustees would be adversely affected. Moreover, we suggest developing a policy stating that members of the Monitoring Board and Trustees cannot be a member of the IASB for a

certain period of time in order to sustain independence. Such a policy will increase the transparency of the selection processes.

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.

AGREE WITH CAVEAT

We agree that the Monitoring Board should be consulted in developing the framework to ensure proper balance in the composition of the IASB. Nonetheless, we are wary that the Monitoring Board might work as a final decision-maker in lieu of the Trustees. We would like to emphasize that the consultation with the Monitoring Board should be limited to providing inputs in the course of consultation.

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.

DISAGREE AND SUGGEST

We disagree with the proposal to consider establishing a permanent secretariat for the Monitoring Board. We do not believe the Monitoring Board requires more staff than a basic rotating seconded staff. In particular, if permanent secretariat requires additional budget from stakeholders, it will be an additional financial burden for the stakeholders. Instead, we suggest that a member of the Monitoring Board plays a secretariat role on a rotating basis similarly with G20 summit meeting.

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.

NO COMMENTS