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Dear Mr Nagaoka and Mr Sonoda

IFRS Foundation Monitoring Board Report on Governance Review

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Foundation Monitoring Board's *Consultative Report on the Review of the IFRS Foundation's Governance*.

We welcome the Monitoring Board's Report, which we think is a useful and timely contribution to the debate surrounding the governance of the IFRS Foundation and the International Accounting Standards Board. We wish to highlight the following issues that we see as fundamental to this review.

The governance structure of the IFRS Foundation must facilitate achieving the ultimate goal of a single set of high-quality global financial reporting standards. The governance structure should provide for the independence of the standard-setter while ensuring the accountability of the IFRS Foundation to capital market authorities and ultimately governments.

We support a three-tier governance model in which:

- the Monitoring Board provides political legitimacy and accountability by acting as the link, via competent market authorities and/ or regulators, to national governments in jurisdictions using or committed to using IFRSs and provides oversight of and pro-active advice to the IFRS Foundation;
- the IFRS Foundation Trustees are responsible for the governance of the IASB and related standard-setting activities, promote the transparency of the organisation, and buffer the IASB from political, sectoral and regulatory interference; and
- the IASB, as an independent standard-setter operating within a clearly defined and documented system of due process, accountable to the IFRS Foundation Trustees, sets high-quality International Financial Reporting Standards.

The primary focus of setting financial reporting standards is the needs of participants in the capital markets and it is appropriate for the Monitoring Board to comprise capital market authorities responsible for the enforcement or endorsement of financial reporting standards for capital markets. So that it is able to meet this objective in a better manner, we support expanding the Monitoring Board to represent a more diverse population of capital market authorities from jurisdictions using or committed to using IFRSs. We think that IOSCO, which represents capital market authorities worldwide and is recognised as the G20's capital markets representative agency, is the appropriate agency to advise on membership of the Monitoring Board.

Prudential authorities charged with fostering financial stability also have an interest in neutral, transparent financial reporting. While financial reporting standards cannot on their own ensure financial stability, there can be no enduring financial stability without neutral and transparent financial reporting. Thus, we support enhancing the Monitoring Board's active engagement with prudential authorities and other international organisations. In particular, the Monitoring Board should consider inviting the Financial Stability Board (FSB) to be an Observer, given its role as the G20's 'global coordinator.'

The Monitoring Board should continue to make its decisions by consensus, i.e. achieving 'buy-in' from all constituents and ensuring that the views of all constituents are reflected in decisions. Decision-making by consensus is most consistent with the Monitoring Board's role providing oversight of the IFRS Foundation because it provides a broad political basis for the IFRS Foundation. Consensus ensures an inclusive approach, such that no single jurisdiction can dominate strategic policy-making.

We agree with the proposal to separate the roles of IFRS Foundation Chief Executive Officer from that of the IASB Chair, which we see as a matter of good governance that strengthens the independence of the IASB by removing the conflict of interest created by the IASB Chair being the CEO of the IASB's oversight body.

We have concerns with certain proposals in the Report, in particular those concerning the role of the Monitoring Board in the IASB's agenda-setting process and the appointment of the IASB Chair, but believe that there are ways to achieve the Monitoring Board's positive involvement without compromising the governance structure.

We agree that Monitoring Board members will often be in a position to identify areas of concern in financial reporting and would wish to bring such issues to the IASB's attention. However, the Monitoring Board should always be seen to act in a transparent manner consistent with the IASB's established due process. We think that agenda-setting should rest solely with the IASB, which should follow its newly-established enhanced due process for setting its technical agenda. Given that the IASB is pledged to serve the public interest and the needs of the capital markets, it seems inconceivable that the IASB would ignore a legitimate concern of securities market authorities, or that the Trustees' Due Process Oversight Committee would not act if the IASB were to do so without good reason.

We agree that, given the profile of the IASB Chair, there is a role for the Monitoring Board to play in the appointment of the IASB chair. We think it appropriate that the Monitoring Board should review and provide recommendations to the IFRS Foundation Trustees on the criteria for the IASB Chair and the process for conducting the search and assessment of candidates, to which the IFRS Foundation Trustees' independent selection process would be held accountable. The Monitoring Board should limit its subsequent involvement to providing feedback on the IFRS Foundation Trustees' assessment of short-listed candidates against those criteria. This approach

should provide for meaningful input from Monitoring Board members, while maintaining the independence of the appointment itself.

Our detailed responses to the Summary of Proposals and Options and associated questions are included in the Appendix to this letter.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 207 007 0884.

Yours sincerely,



Joel Osness
Global Managing Director
IFRS Clients and Markets



Veronica Poole
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IFRS Technical

Appendix

Responses to the Proposals and Options and Associated Questions

Overall comment

Governance model

We support a three-tier governance model in which:

- the Monitoring Board provides political legitimacy and accountability by acting as the link, via competent market authorities and/ or regulators, to national governments in jurisdictions using or committed to using IFRSs and provides oversight of and pro-active advice to the IFRS Foundation;
- the IFRS Foundation Trustees are responsible for the governance of the IASB and related standard-setting activities, promote the transparency of the organisation, and buffer the IASB from political, sectoral and regulatory interference; and
- the IASB, as an independent standard-setter operating within a clearly defined and documented system of due process, accountable to the IFRSF Trustees, sets high-quality International Financial Reporting Standards.

Our responses to the Proposals and Options and Associated Questions are consistent with this vision of the IFRS Foundation's governance.

The International Accounting Standards Board

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.

In establishing high quality, global financial reporting standards, it is critical that the IASB be composed of high quality individuals that understand the objectives of financial reporting, understand the IASB's conceptual framework and IFRSs. It is essential that IASB members have good technical skills, experience in financial reporting and experience of international business. From the pool of individuals possessing these qualities it is then appropriate to seek to attain representation over diverse geographies and professional backgrounds.

The IFRS Foundation has relied on a limited number of executive search firms, word of mouth and other informal networks in seeking new IASB members. Some of the recent appointees have settled in well, but others betray a very limited appreciation for financial reporting using IFRSs, financial reporting in a global context and/ or financial reporting outside a particular sector.

The IFRS Foundation Trustees should be urged to consult expert groups, including regional associations of standard-setters, preparer groups, financial executives, analysts, fund managers and other users and the audit networks as well as regional specialist executive search firms to achieve this objective. Consistently with the Monitoring Board's

proposals to ‘document and publish the formal procedures for the nomination of the Trustees, including clear criteria for candidacy’ (Section 2-3-1), we would support a similar level of transparency for the Trustees’ activities surrounding the search for and appointment of IASB members.

The Monitoring Board’s Report, while noting the recent increase in size of the IASB and the requirement to ‘demonstrate diversity in the profession and expertise of the members’, leaves open the possibility of ‘additional measures such as increasing further the number of Board members’ (Section 2-2-1). We would draw the Monitoring Board’s attention to their own conclusions in Section 3-1-1, in which they suggest a maximum Monitoring Board membership of fifteen ‘in order not to undermine the efficiency and flexibility in reaching decisions’. With a membership of sixteen by the time the Monitoring Board’s proposals are effective, we think the number of IASB members is sufficient.

- 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.*

We agree with the proposal to separate the roles of IFRS Foundation Chief Executive Officer from that of the IASB Chair, which we see as a matter of good governance that strengthens the independence of the IASB by removing the conflict of interest created by the IASB Chair being the CEO of the IASB’s oversight body.

In our letter to the IASC Foundation Trustees of 25 November 2009, we commented:

“The IASC Foundation and the IASB are under increasing public scrutiny from many jurisdictions and it is our view that it is vitally important that there be no appearance of conflict of interest within the organisation. Given the apparent conflict of interest between the roles of IASB Chairman and the chief executive of its oversight body, we recommend that the IASC Foundation and the standard-setting activities be separated completely by appointing a CEO of the IASCF, one who is not a member of the IASB or the IASB/ IFRIC staff.”

- 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.*

We think that such a separation is sensible and, to a very considerable extent, exists already.

We would not seek to impose any particular administrative solution. What is important is to establish a clear principle that the standard-setting activities and staff of the IASB should not be involved in the oversight or other activities of the IFRS Foundation, except that the standard-setting staff ought to prepare any factual reports related to their activities requested by the Trustees or a committee thereof (e.g., the Due Process Oversight Committee).

IFRS Foundation Trustees

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

Composition

We continue to support the geographical distribution of the Trustees, but think that there should be more transparency surrounding how allocations are made.

In our comments to the IASC Foundation Trustees of 31 March 2009, we said: “it would be useful to all constituents to understand the basis for the apportionment, for example, whether it is based on national or regional GDP or securities markets’ capitalisation or other indicators. In our view, the formula for the apportionment should be fixed but the actual distribution should be flexible and should be reviewed from time to time.”

We reiterated this concern in our letter to the IASC Foundation Trustees of 25 November 2009: “In our 31 March 2009 comment letter, we asked that the Trustees document how the geographical distribution is determined. We note that participants at the Constitution roundtables in London and New York held in September and October 2009 expressed similar concerns.”

- 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?*

We agree that there needs to be greater transparency around the appointment of Trustees. However, we acknowledge that as the appointment is essentially a personnel issue, a fair degree of confidentiality will still be necessary. What the Trustees and the Monitoring Board should seek to achieve is a balance between a thorough reporting of what was done and how; what organisations, search agencies, and individuals were consulted; the number and backgrounds of candidates on the shortlist and how those candidates were assessed against the criteria for appointment; and how that shortlist was assessed when making the final recommendations and appointments.

The provisions of Article III, section 8.B of the Monitoring Board’s ‘Memorandum of Understanding to Strengthen the Institutional Framework of the International Accounting Standards Committee Foundation’ (the Memorandum of Understanding) are, in principle, adequate, in that they require the Trustees to establish procedures that shall be agreed by the Monitoring Board. We would expect that there be some degree of communication between the Trustees’ Nominating Committee and the Monitoring Board as those procedures are prepared. Once agreed, the procedures, together with the expected timeline, should be published on the IFRS Foundation’s Website. If, for any reason, the Trustees think it necessary to amend the procedures in some substantive manner, that amendment, the reasons why it was considered necessary and any input of the Monitoring Board should be published promptly.

We note that the Memorandum of Understanding permits the Monitoring Board to submit names to the Trustees for their consideration. However, we think it fundamental to the

IFRS Foundation's role that such submissions must be done in the personal capacity of the Monitoring Board member, and should not be seen to circumvent the Trustees' established procedures for appointing Trustees.

- (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.*

We would support a better articulation of the criteria for appointment as a Trustee (similar to those established for IASB members), together with an explicit statement of the expected time commitment of a Trustee. In our comments to the IFRS Foundation Trustees of 22 February 2011, we suggested that Trustees should be expected to act for 30-36 days a year, based on the UK Treasury's Walker Report (2009).

- (c) *Other comments on the role and responsibilities of the IFRS Foundation Trustees*

We also bring to the Monitoring Board's attention the following comments in our letter of 22 February 2011 in which we addressed our vision of what the Trustees should be doing and the level at which they should be doing it:

The IFRS Foundation Trustees' role should be a pro-active one, acting on the organisation's behalf to work with jurisdictions to ensure their support of (or non-interference with) the standard-setting process and promoting the use or adoption of IFRSs. They should act as a buffer between the independent standard setter and the Monitoring Board and other jurisdictional interests. This implies a more visible role than at present in the governance and oversight of the IFRS Foundation and a visibly ambassadorial role in liaison with policy-makers in IFRS jurisdictions and potential IFRS jurisdictions, ensuring that lines of communication remain open and accessible to the IASB. Such contacts would include governments, those responsible for incorporating/ endorsing IFRSs for use in the jurisdiction and those responsible for the enforcement of those standards in those jurisdictions.

The IFRS Foundation needs to be seen to be exercising its governance and oversight role actively if it is to be effective. In our view, the Trustees need to be involved actively as the IASB identifies candidates for its agenda, prioritises them and reviews the feedback received from constituents on that assessment. We support the status quo in which the Trustees do not have a detailed involvement in the IASB's agenda-setting process, but we would support the Trustees being involved to the point that they fully understand the process by which the IASB determined its agenda and set the relative priorities, such that they can present and explain it at senior levels. Such involvement would include active engagement with the IFRS Advisory Council, in a session attended by at least a quorum of the Trustees' Due Process Oversight Committee or other nominated group. The Trustees must be visible in these public forums if they are to be credible in discharging their oversight role.

This proposal would involve elevating the role of the Trustees to a time commitment equivalent to that of a non-executive/ independent director of a prominent publicly-listed company, with a similar increase in the resources necessary to support them. It would also mean that the Trustees would be expected to commit a significant amount of time to the IFRS Foundation and its activities. Given the heightened profile of the

IFRS Foundation as a result of the G20 mandate given to the IASB, we see this development as unavoidable. The IFRS Constitution would need to be amended to give greater clarity and rigor to paragraph 7, in particular.

Monitoring Board

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?*

We believe that the membership of the Monitoring Board, the link between public authorities responsible for setting the form and content of financial reporting in respective jurisdictions is and remains appropriate.

The primary focus of setting financial reporting standards is the needs of participants in the capital markets and it is appropriate for the Monitoring Board to comprise authorities responsible for the enforcement or endorsement of financial reporting standards for capital markets.

(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?*

So that it is able to meet the objective identified in our response to Question 6(a) in a better manner, we support expanding the Monitoring Board to represent a more diverse population of capital market authorities from jurisdictions using or committed to using IFRSs.

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

We think that IOSCO, which represents capital market authorities worldwide and is recognised as the G20's capital markets representative agency, is the appropriate agency to advise on membership of the Monitoring Board.

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.*

The Monitoring Board should continue to make its decisions by consensus, i.e. achieving 'buy-in' from all constituents and ensuring that the views of all constituents are reflected in decisions. Decision-making by consensus is most consistent with the Monitoring Board's role in the governance structure of the IFRS Foundation because it provides a broad political basis for the strategic direction of the IFRS Foundation. Consensus ensures an

inclusive approach, such that no single jurisdiction can dominate strategic policy-making. We would not support the Monitoring Board acting other than by consensus, including any form of qualified majority vote.

- 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?*

Prudential authorities charged with fostering financial stability also have an interest in neutral, transparent financial reporting. While financial reporting standards cannot on their own ensure financial stability, there can be no enduring financial stability without neutral and transparent financial reporting. Thus, we support the Monitoring Board engaging actively in dialogues with prudential authorities and other international organisations that foster financial stability. In addition, the Monitoring Board should consider inviting the Financial Stability Board to be an Observer, given its role as the G20's 'global coordinator.'

We think that effective engagement with prudential authorities and other international organisations can be achieved through their participation as Observers. Additional advisory groups are not necessary at this time.

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

We agree that additional measures should be taken to improve the Monitoring Board's accountability and provide more transparency to its activities. Such developments are necessary to enhance constituents' understanding of and confidence in the work of the Monitoring Board.

We agree with the suggestion that materials concerning Monitoring Board deliberations should be made available to all interested parties in advance of meetings.

We also agree with the Report's observation that "current disclosure of the public portion of Monitoring Board meetings through the IOSCO website and provision of agenda papers from meeting with the Trustees on the IFRS Foundation website appear insufficient in promoting public understanding of Monitoring Board activities." Indeed, the current situation suggests that the Monitoring Board is unwilling to accept the same level of transparency and openness that it expects of the IFRS Foundation and its standard-setting units.

We support the suggestion that further steps should be taken to provide transparency into the Monitoring Board's oversight activities, including improving website accessibility to information and increased use of press releases to clarify the Monitoring Board's views.

However, we are uncertain about the Report's suggestion that 'greater exposure of members' views regarding matters of Monitoring Board oversight' might be given to the media and wider audiences. Presuming that the Monitoring Board operates by consensus,

the suggestion that individual member views on oversight matters might be transmitted independently risks confusing constituents.

- 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.*

The Memorandum of Understanding, Article III, section 9A(ii) requires the Monitoring Board to confer with the Trustees about their oversight of the IASB's agenda-setting process and work programme. In addition, in accordance with Article III, section 9B, the Monitoring Board 'may refer accounting issues to, and will confer regarding these issues with, the Trustees and the IASB Chair.'

We agree that Monitoring Board members will often be in a position to identify areas of concern in financial reporting and would wish to bring such issues to the IASB's attention. However, the Monitoring Board should always be seen to act in a transparent manner consistent with the IASB's established due process. We think that agenda-setting should rest solely with the IASB, which should follow its newly-established enhanced due process for setting its technical agenda.

We support the alternative view in the Report that 'that agenda-setting should also rest solely with the IASB, though following a strong process that includes opportunity for all constituents, including public authorities, to refer matters for consideration, provides for public input into agenda priorities and requires IASB feedback on how constituent views were considered when arriving at a final technical agenda.' The IASB is best placed to assess all potential projects against its agenda criteria and prioritise them taking into account its resource constraints. Given that the IASB is pledged to serve the public interest and the needs of the capital markets, it seems inconceivable that the IASB would ignore a legitimate concern of securities market authorities, or that the Trustees' Due Process Oversight Committee would not act if the IASB were to do so without good reason.

The most appropriate role of the Monitoring Board in the IASB's agenda-setting process would be a regular and meaningful dialogue with the Trustees' Due Process Oversight Committee to ensure that the IASB adheres to the letter and spirit of its agenda-setting process.

- 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?*

Achieving a funding mechanism that is adequate, proportional and sustainable is fundamental to ensuring the independence of the IFRS Foundation and the IASB. We support a funding requirement allocated based on an independent measure, such as gross domestic product or relative market capitalisation in IFRS jurisdictions (including those jurisdictions that permit IFRS for secondary listings). In our view, local capital market authorities should be responsible for determining how best to raise the funding requirement allocated to them. We stress that the method of funding should maintain and be seen to

maintain the independence of the IASB from national and regional governments, the accounting profession and individual preparer entities.

We are concerned about the level of the Monitoring Board's involvement in the allocation of resources of the IFRS Foundation. The Memorandum of Understanding, Article III, section 9A(ii), provides for consultation between the Monitoring Board and the Trustees about 'the adequacy of the IASB's resources in the light of its work program'. However, the Report states that the Monitoring Board 'may consider ways to support proper funding and allocation of the Foundation's financial resources' [emphasis added]. This suggests a level of operational involvement that we do not see as necessary or desirable.

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 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.

We agree that, given the profile of the IASB Chair, there is a role for the Monitoring Board to play in the appointment of the IASB chair. We think it appropriate that the Monitoring Board should review and provide recommendations to the IFRS Foundation Trustees on the criteria for the IASB Chair and the process for conducting the search and assessment of candidates, to which the IFRS Foundation Trustees' independent selection process would be held accountable. The Monitoring Board should limit its subsequent involvement to providing feedback on the IFRS Foundation Trustees' assessment of short-listed candidates against those criteria. This approach should provide for meaningful input from Monitoring Board members, while maintaining the independence of the appointment itself.

(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.

Consistently with our response to Q 13(a), we think that the Monitoring Board should review and provide recommendations to the IFRS Foundation Trustees on the criteria for the IASB Chair and the process for conducting the search and assessment of candidates, to which the IFRS Foundation Trustees' independent selection process would be held accountable. The Monitoring Board should limit its subsequent involvement to providing feedback on the IFRS Foundation Trustees' assessment of short-listed candidates against those criteria. The explicit involvement of the Monitoring Board in the appointment of the IASB Chair would politicise that appointment and compromise the IASB's independence.

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.

The Memorandum of Understanding does not have any reference to the Monitoring Board's involvement with the composition of the IASB. We do not think an explicit mention is necessary as this could impair the IASB's independence. If the Monitoring Board has concerns in this area, it already has the ability to enter into dialogue with the

Trustees, via the Nominating Committee, to discuss how the Trustees discharge the requirements of the IFRS Foundation Constitution with respect to the appointment of IASB members.

The IFRS Foundation Constitution states that ‘the main qualifications for membership of the IASB shall be professional competence and practical experience’ (paragraph 25), and in particular, IASB members must demonstrate ‘a high level of knowledge and technical competence in financial accounting and reporting’ (Annex, 1). In our view, the spirit of paragraph 26 of the Constitution, that the geographical allocation is subordinate to professional competence and practical experience, should be reflected in any operational framework surrounding the composition of the IASB. We support the efforts of the Trustees to balance the composition of the IASB, but not at the expense of the quality of individual IASB members.

- 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.*

We think it premature to establish a permanent secretariat for the Monitoring Board. We think that the enhanced governance activities should be allowed to be put in place first and the real demands on the Monitoring Board’s members to be assessed before the decision to establish a permanent secretariat is taken. In the interim, the Monitoring Board should consider amending its Charter, in particular Article 3B, to accommodate a wider distribution of secretariat services.

We also think it premature to combine the secretariats of the IFRSF Monitoring Board and the IFAC Monitoring Group, given the quite distinct standard-setting bodies and differences in their stakeholders. What is needed and would be welcomed is a greater degree of coordination of meeting schedules. This coordination can be achieved without establishing a separate secretariat.

We do not entirely understand the context of ‘additional financial contributions from stakeholders’, as there is no discussion in the Report about funding the work of the Monitoring Board. We note that since the Monitoring Board is composed of public authorities, the funding of the activities of the individual members of the Monitoring Board is a matter for their respective jurisdictions, and usually national legislatures.

Other issues

- 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.*

‘Ensure’ is not the right word, since the IASB cannot compel any organisation to participate in its due process. However, International Financial Reporting Standards are developed through a comprehensive due process that provides opportunities for input from

a broad range of constituents and in different forms: comment letters, public meetings and meetings with stakeholders. This comprehensive due process is time-consuming but necessary to ensure that the standards that result are of high quality and have general acceptance.

In addition, we note and support the IASB's efforts over the past two years or so to enhance its outreach activities, utilising a wide range of forums, to engage with as many interested constituents as possible. The level of participation in such activities demonstrates that there is greater involvement of stakeholders in the development of IFRSs, something that is an important ingredient to both high quality and global acceptance.

The amendments to the IFRS Foundation's Constitution that came into effect 1 March 2010 provide for a public consultation on the IASB's agenda and priorities. This innovation is most welcomed and should be allowed to develop under the oversight of the Trustees in the medium term.

- 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.*

Yes, we think that as the IFRS Foundation continues to evolve, regular reviews of its governance should be undertaken and that the current five year cycle is appropriate. This cycle permits enhancements made by the previous review to become established and for constituents to become familiar with their operation. Since the activities and operations of the IFRS Foundation Monitoring Board and the IFRS Foundation are inevitably linked and complementary, it would be helpful to constituents if the two reviews were co-ordinated. We would not wish to see a 'joint review', but a degree of co-ordination would be desirable.

- 17 *Other comments*

Throughout our response, we have stressed that the Monitoring Board's activities should be those of governance over the IFRS Foundation. The Monitoring Board should be instrumental in the promotion of a single set of high quality global financial reporting standards, the benefits of which can only be achieved if the interpretation and application of IFRSs worldwide are consistent with the principles in those standards. As liaison with IOSCO and capital market authorities worldwide, we would encourage the Monitoring Board to promote, through these constituency groups, actions that support the interpretation and application of IFRSs consistent with the principles in those standards on a global basis. If diversity in an interpretation or application of IFRSs among capital market authorities is identified, the Monitoring Board should encourage the capital market authorities concerned to raise such issues with the IFRS Interpretations Committee.