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8 April 2011

**IFRS Monitoring Board - Consultative Report on the Review of the IFRS
Foundation's Governance**

Dear Sirs,

Mazars welcomes the opportunity to comment on the preliminary proposals and possible options considered by the Monitoring Board as part of its review of the governance structure supporting IFRSs as a set of high quality, globally accepted accounting standards.

Our responses to the specific questions included in the consultative report are detailed below.

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IASB

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.*

We agree with the proposal of the Monitoring Board to improve identification of candidates to ensure IASB membership from diverse geographical and professional backgrounds.

Regarding the IASB membership geographical diversity, we would prefer a more flexible rule than that set out in the current Constitution, enabling the IFRS Foundation to choose high calibre individuals with a wide range of recent practical experience in financial and accounting matters. This objective could for instance be achieved by defining ranges rather than fixed numbers for each geographic allocation. We also consider that the composition of the Board should give priority to members coming from regions or countries that already apply or are committed to apply IFRSs.

We also have strong reservations about the current rules to have four members from *North America*, which raises issues with respect to a single country dominance in the Board composition. As several countries in Latin America are making a move towards the adoption of IFRSs we therefore suggest that paragraph 25 (a) should read: *“four IASB members appointed from the Americas”*. There would then be no need to have (e) one member from South America and (f) should then accordingly read *“three members appointed from any area, subject to maintaining overall geographical balance.”*

Regarding the IASB membership professional diversity, we strongly believe that practical experience is the key criteria for choosing Board members. We recommend paying attention to the diversity of Board members regarding their professional profile and the length of their operational experience (from 20 to 45 years). We also consider that having part time members splitting their work time between the IASB and other work helps having a better understanding of current practical issues related to financial reporting. Regarding the full time members we consider that a recent practical experience on financial and accounting matters is key to avoid setting standards that would not meet the daily concerns of all Stakeholders.

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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.*

We have a rather positive view on the proposal to separate the roles of the IASB Chair and the CEO of the IFRS Foundation for the following reasons:

- (i) this separation will enable the IFRS Foundation to fulfil its role of oversight of the IASB in a fully independent way, excluding any suspicion of conflict of interests;
- (ii) the IASB Chair will be able to devote all its time to technical issues related to the development of high quality, global financial reporting standards without consuming time on more “political” issues.

Nevertheless we question the need for a separate CEO role in the Foundation. We recommend the Monitoring Board to consider other alternatives such as a chief operating officer who would report directly to the Chair of Trustees.

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.*

We agree with the proposal to separate the staff dedicated to the IASB operations from the staff dedicated to the Foundation’s functions, since it will be consistent with the separation of the roles of the IASB Chair and the IFRS Foundation CEO. In particular, similar in this way to an internal audit department, it will enable the IFRS Foundation to fulfil its oversight role of the IASB in a more independent way.

Trustees

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

Paragraph 6 of the Constitution provides rules to ensure the geographical diversity of Trustees. Like for the IASB members, we would prefer a more flexible rule enabling the Monitoring Board to choose high calibre individuals. This objective could for instance be achieved by defining ranges rather than fixed numbers for each geographic allocation. Moreover, the appointment of the Trustees should give priority to members coming from regions or countries that already apply IFRSs or that have committed themselves to apply this set of accounting standards.

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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?*
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.

In practice, the role and the influence of the Monitoring Board in the process of the Trustees' nominations seems not to be fully transparent. We recommend the Monitoring Board to better formalize the process followed and decisions taken in relation to Trustees' nominations.

Monitoring Board

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?*

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?

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

We disagree that membership of the Monitoring Board should continue to be confined to capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions. Other organisations such as banking regulators should be envisaged as members of the Monitoring Board since their implication in the last crisis could help in drawing the lessons from that period. We consider that if their objective of financial stability is different from the ones of the IASB in principle, it cannot be disregarded when setting new accounting standards.

Even if we agree with the objective to expand the Monitoring Board membership beyond members representing capital market authorities, we consider that the size of the Monitoring Board should remain limited in order to be efficient.

In the case of rotating members, we agree that they should be selected through IOSCO.

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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.*

We agree that the Monitoring Board should continue to make its decisions by consensus, but only if the size of the Monitoring Board does not exceed 10 to 12 members. As explained above, we consider that the size of the Monitoring Board should remain limited. In case the Monitoring Board expands to more than 10 to 12 members, qualified majority decisions should be favoured to avoid any deadlock situations.

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?*

In case our answer to the question 6 would not be considered positively, we support the Monitoring Board objective to increase involvement of public authorities and other international organisations in Monitoring Board activities, through expanding the number of observers and organising a more formalised dialogue between the Monitoring Board and other international organisations interested in the work done by the Monitoring Board (e.g the Financial Stability 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.*

The current arrangements for the standard-setting process should in theory adequately ensure the appropriate involvement of all relevant stakeholders and that all relevant public policy objectives are taken into account.

In practice, we believe that the standard setting process could be improved. In particular, we feel that Trustees do not totally fulfil their responsibilities as defined in the Constitution. We believe the Trustees should ensure that the main comments from constituents are taken into account by the Board. They also should make certain that lack of re-exposure is justified. They should also perform a more detailed review of the IASB agenda in order to prevent the situation faced by the IASB in 2010 of an overloaded agenda. Therefore, we strongly support the Monitoring Board to ensure that Trustees adequately monitor the IASB activities and ensure that stakeholders' comments are taken into account.

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

We consider that the activities of the Monitoring Board are not visible enough for the following reasons:

- (i) there is no dedicated website ; information relating to the Monitoring Board can only be found on the IOSCO website;
- (ii) there is no direct link to the IOSCO website in the IFRS Foundation website;
- (iii) There is very little information on the decisions taken by the Monitoring Board during its meetings.

As a consequence, we support any initiative by the Monitoring Board to enhance its visibility, for instance through a dedicated page on the IFRS Foundation website and/or an access to materials such as an annual report and meeting summaries. However, any initiative in our view should be commensurate with the Monitoring Board's role.

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.*

We support maintaining the operational independence of the IASB. We therefore consider that the responsibilities of the Monitoring Board should be limited to overseeing governance issues, including the appointment of Trustees. In particular we consider that the oversight of the IASB's agenda should remain the responsibility of the Trustees as it is one of their key roles. Thus we do not consider that the Monitoring Board should have an explicit ability to place an item on the agenda. However, the Monitoring Board should ensure that Trustees are fulfilling their role as IASB oversight. In particular, they should encourage the Trustees to perform a more detailed review of the IASB agenda in order to prevent the situation faced by the IASB in 2010 of an overloaded agenda.

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?*

The independence principle at the heart of the IFRS Foundation organisation is to produce high quality standards and to prevent the creation of standards from being beholden to national, regional, sectoral or other special interests. Given this principle, we believe that the IASB and the IFRS Foundation need to find a stable, long-term and diversified sources of financing. We think a sustainable funding could be reached through a capital-markets based levy-mechanism which would be less uncertain than a private funding and would avoid the risk of the IASB being accused of undue influence of certain stakeholders.

We therefore recommend that the Monitoring Board and the trustees pursue their work on these organisations' financing to ensure more automaticity of financing.

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.*

Do you believe that the Monitoring Board should be given any further, specific role in the election of the IASB Chair? In particular, should the Monitoring Board approve the Trustees' final selection? Please provide reasons.

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.*

In our view, the Monitoring Board, representing the public authorities' views, is important in ensuring that the IASB is accountable to those representing the public interest. We nevertheless do not suggest to change the current process for appointing the Chair of the IASB and developing the proper balance in the composition of the Board. But the Trustees should ensure that the Monitoring Board is directly consulted during the nomination process.

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.*

As the role of the Monitoring Board should be limited to the monitoring function of the Foundation, we do not see the need for a permanent secretariat. This role could be played either by a member of the Foundation secretariat or by the IOSCO.

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.*

We consider that regular reviews are necessary to keep improving the Governance structure, supporting IFRSs. These reviews should be aligned with the Trustees review, since the three-tier structure should be analysed and assessed as a whole.

We would be pleased to discuss our comments with you and stay at your disposal should you require further clarification or additional information.

Yours sincerely



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