8 April 2011

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

Comments from the Bank of Canada

General Comments:

Canada welcomes the IFRS Foundation's Montoring Board governance review because it is important to have an effective and responsive organization that serves the interests of all IFRS users by developing globally accepted, high quality accounting standards. To this end, we believe the key priorities are:

1. To strengthen the overall governance of the IFRS Foundation and IASB by ensuring that processes are in place to select qualified individuals as Trustees for the Foundation and Members of the IASB, by clearly defining lines of responsibility among the three layers of governance to preserve IASB independence and accountability, and by adopting other sound governance practices, including increased transparency and disclosure to foster public scrutiny;
2. To ensure the composition of the Monitoring Board reflects the major users of IFRS and serves the public interest by including representation from a broader set of public sector authorities, most notably prudential regulators and supervisors; and
3. To improve the consultative process between the IASB and key stakeholders in order to increase outreach to stakeholders and to achieve a serious and meaningful dialogue

The proposals in the report generally go in the right direction in terms of strengthening governance and increasing voices from different jurisdictions and institutions, but could go further and be better justified. In particular, the report does not provide an assessment of the strengths and weaknesses of the current IFRS governance structure to help to justify the proposals.

Specific Comments:

1. The membership of the Monitoring Board should be expanded to include representation from major users of IFRS. A process should be instituted that allows countries that do not have a representative on the Monitoring Board to have their views heard, perhaps via the Chair or through constituency representation. (Question 6)

2. The membership of the Monitoring Board should be expanded beyond capital market authorities to a broader set of interested public sector authorities, in particular, prudential regulators/supervisors. Membership should include the BCBS and FSB to ensure the broad representation of the public interest. Such an approach would be superior to creating an advisory body or allowing observers. (Question 8)

3. The selection of candidates for the Foundation and IASB should be based primarily on merit (professional competence, technical expertise and relevant experience). Candidates from diverse geographical and professional backgrounds should be considered to deepen the pool of eligible candidates. The selection criteria and process should be transparent. (Questions 1, 4 and 5)

4. The roles of IASB Chair and the CEO of the Foundation should be separated, and transparent and a well-governed selection processes for each should be established. The latter issue is not addressed in the report. (Question 2)

5. The Monitoring Board's activities should be transparent and its public visibility should be enhanced through posting on the appropriate web site of all meeting agenda and papers in addition to press releases and publicly released reports. (Question 10)

6. The justifications for separating staff for the IASB and the Foundation and for creating a secretariat for the Monitoring Board are not made. An analysis of the costs and benefits should be provided. (Questions 3 and 15)
7. The proposals that the Monitoring Board should have the authority to place items on the IASB agenda and play a more prominent role in the selection of the IASB Chair and IASB members impinge upon governance principles designed to preserve the independence and accountability of the standard-setting process. If these proposals reflect inadequacies in the consultation process, then the appropriate solution would be to address these problems directly. The Monitoring Board should focus on providing oversight and setting priorities at the strategic level and should interact with the Trustees on this basis. (Questions 11, 13 and 14)
8. The performance of all levels of the governance structure should be reviewed on a regular basis. A thorough review every five years would be appropriate, although a three-year frequency should also be considered. (Question 16)