

## **Securities & Exchange Board of India (SEBI)'s feedback on the IFRS Monitoring Board Consultative Report on the review of the IFRS Foundation's Governance**

We welcome the opportunity to comment on the Consultative Report.

### ***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.***

Our Views:

We support the efforts to deepen the pool of candidates for IASB membership from diverse geographical and professional backgrounds. We have the following additional comments:-

1. We believe that industry and valuation experts should be added to either form part of the Board or act as advisors to the Board.
2. Experts with domain expertise, for example, agriculture accounting who may not be required on a regular basis may serve as advisors to the Board.
3. In developing the Board appropriate considerations should be given to major emerging economies, i.e. the economies of the future.
4. Representation from jurisdictions should be those who have served in that jurisdiction rather than in other jurisdictions.
5. Investor community should be represented as a full member on the Board, so that standards are made relevant to the users.
6. In addition to keeping in mind the above considerations, what is of paramount importance is that people on the Board should be of extremely high quality, with good technical expertise and high integrity.

### ***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.***

Our Views:

We agree with the proposal. The role of the IASB Chair and CEO of the IFRS Foundation roles should be separated as the main purpose of the IASB Chair should be to focus on the development of the standards and should be a domain expert in the field of accounting and on the other hand the role of the CEO of the IFRS Foundation is to monitoring administrative activities.

**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.***

Our Views

We believe that the role of the staff of the foundation and the IASB are very different and require different skill sets. Also for reasons of independence and ensuring clear division of responsibility, staff dedicated to the IASB operations and those of the foundation should be segregated.

Hence, consequent to the above proposal there should be a clear division of responsibility between staff dedicated to the IASB operations and staff dedicated to the Foundation's administrative and oversight functions.

**Question 4:**

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

We agree that trustees should come from diverse geographical and professional backgrounds. Trustees should be appointed based on public knowledge of their objectivity, impartiality and professional standing in their jurisdiction. They should enjoy a high status in their jurisdiction to support fund raising for the Board but at the same time ensure that independence is not conflicted.

**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.***

Our views

We believe that there should be more transparency into the process for trustee nominations that would help support confidence of the stakeholders. We believe that the due process of selection of Trustees should be adequately documented and published on the webpage for

public viewing. We also agree that the criteria considered for selection should be well clarified to eliminate ambiguity.

**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?***

Our views:

We agree that the Monitoring Board should be represented by capital market authorities. IFRSs had been introduced primarily to meet the investors' need of having a set of uniform global accounting standards. Thus, the capital market regulators should primarily be the members of the Monitoring Board as they would be able to align the agenda and priorities of the IFRS Foundation to cater to investor needs.

Further, we believe that the Monitoring Board membership should reflect the G20. Also there should be only one representative from Europe and USA. Representative should be taken from countries like China, India, Japan, South Africa and Brazil. These should be the permanent members. We believe that countries should be included for membership, even if they have not adopted but converged to IFRS.

**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.***

Our views

We agree that the Monitoring Board should continue to make its decisions by consensus but for that to happen, the Monitoring Board would need to ensure that membership size does not hinder this process.

**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?***

Our views

- (a) We do not agree with the proposal of expanding the number of Monitoring Board observers for involving public authorities and other international organizations as it may add to more administrative burden.
- (b) We agree with the proposal of holding more formalized dialogue public authorities and other international organizations.

***Question 10:***

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

We support additional transparency into the oversight activities of the Monitoring Board. The Monitoring Board should conduct their meeting in different jurisdictions.

***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.***

Our views

No, we believe that the Monitoring Board has the agenda to bring the perspective of public interest and Trustees have the role of governing the IFRS Foundation and the Board. Hence, the involvement of the Monitoring Board in IASB's agenda setting is not required.

***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?***

Our views

Yes, there should a model where each country is required to contribute to the IFRS Foundation. The requirement would be relative to their size and GDP. The collection should be by way of a

small levy on the listing fee applicable on the Public interest entity. The Stock exchange should have the responsibility of collecting the money and remitting directly to the IFRS Foundation, wherever, there is only one stock exchange in a country.

If more than one stock exchanges are involved in a country, the modalities of collecting and remitting the contribution to IFRS Foundation may be decided by the regulator of that country.

**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 selection of the IASB Chair? In particular, should the Monitoring Board approve the Trustees' final selection? Please provide reasons.***

Our views

No, we believe that the Monitoring Board should not have any role in the selection of the IASB Chair. The selection should be made by the Trustees.

We believe that the Monitoring Board should have the right to approve the final selection of the Trustees.

**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.***

Our views

Yes, we agree with the proposal. However, it should be limited to consultation only and not be an overriding decision.

**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.***

Our views

We believe that the IFRS Foundation secretariat can support the Monitoring Board. No separate secretariat is required. The synergies with using facilities of other overlapping agencies such as the IFAC may be considered to keep the cost minimal. However, it is equally important, to keep the system simple and straight. Ultimately, all the agencies should be nimble and operate without too much red tape.

**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.***

Our views

We agree that there should be regular review after every five years to revise the governance framework in light of contemporary conditions.

**Question 17:**

***Do you have any other comments?***

Our View:

We believe that the first five years were devoted towards standard setting for Europe, the next five towards US pursuant to the Norwalk Agreement, and now the next five years should be devoted towards the needs of the emerging markets. Prioritization of development of standards should be based on global needs.

In the past it has been observed that couple of provisions in the Accounting Standards have been made without due consideration of economic conditions of many nations. These may lead to greater resistance and delayed acceptance of IFRS.

For example the standard on foreign exchange has been based on reserve currencies, without considering the impact on emerging markets.

Further examples have been observed in the past where provisions of considering yields of corporate bonds have been emphasized even in nations where bond markets are not mature, retaining provisions of marking to market illiquid securities, compulsory goodwill recognition on court scheme amalgamations by eliminating the pooling of interest method.

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