

**Monitoring Board
and
IFRS Foundation Trustees Meeting**
(Transcript of Public Meeting)

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Public Session: Monitoring Board and IFRS Foundation Trustees Meeting

Chair (Masamichi Kono): May I now call the meeting to order? This is a meeting of the Monitoring Board and the IFRS Foundation Trustees. We had such an occasion last October and now this meeting is for the purpose of both the Trustees and the Monitoring Board informing ourselves and amongst us on the work being pursued in various areas. And we shall start first with a report from the Monitoring Board and its operations with respect to its Governance Review, and then we will proceed to reports from the Trustees on the status of their Strategy Review, their search for a Trustees Chair, nomination and appointments of Trustees, an IASB-FASB progress report on convergence, budget and financing strategy, and any other business.

So first I would like to ask for your approval of the agenda. And, by the way, I should have mentioned at the outset that I am Masamichi Kono. I am Acting Chair of the Monitoring Board, and with your indulgence I would like to perform this role as chairman for this meeting. Are there any views or observations at this point? Thank you. So I take it that the agenda is adopted and I will immediately go on to the first item on the agenda. And of course just to mention that this is a public meeting.

There is also one point that I should not miss which is I have invited Mr. Fernando Restoy of the Spanish securities commission. He is the Vice-President of that commission. He has been invited because we expect him to represent the IOSCO Technical Committee as from the middle of April in his new capacity as the Vice-Chairman of the IOSCO Technical Committee, so I thank Mr. Restoy for coming to this meeting.

One last housekeeping matter is that the minutes of this meeting will be made public and that we are also being broadcast on the internet. So thank you.

First of all, a report from the Monitoring Board on its Governance Review, if I may, and I'll just very quickly update you on what we have been doing.

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As you might be probably aware, the Monitoring Board started to work on the Governance Review of the IFRS Foundation last year, and on 7 February we published a public consultation document for a two months' period up until 8 April to solicit views from the public on the proposals that we make in this report. There are 17 questions in this report for which we invite all stakeholders and those who are interested in the governance of the IASB and the IFRS Foundation, and up to now we have received only seven comment letters. They are being made public on our website.

We have also conducted four roundtable meetings, one in Brussels, one in Kuala Lumpur, one in Tokyo, and one in San Francisco, where we had a wide range of stakeholders, representatives of stakeholders, coming to provide their views on the recommendations that we make in this report, and also discuss various issues, either in response to those questions that I just mentioned or on other related matters.

At this point it is probably too early to say that the majority of views supported which proposal or only a minority were in support of an option, et cetera, just because of course we still have another week during which we will receive probably a very large number of comments, but at this point in time I think we can still mention that there was a large number of support for the existing three-tier structure as it is called in terms of the IASB being under the oversight of the Foundation's Trustees, and then the Monitoring Board as a group of capital markets authorities looking after and providing an official link, a formal link to governments in the interest of public accountability overseeing the activities of the Trustees, so the Monitoring Board makes sure that the proper governance functions are performed by the Trustees in their interaction with the IASB.

But having said that, of course this is conditional upon many views or suggestions that there can be or there should be further clarification of the roles and responsibilities of the three bodies involved, and that particularly it will be increasingly necessary for the Trustees and also the Monitoring Board to discharge their responsibilities in a more effective and more visible manner, transparent manner, for the interest of making this a truly publicly-

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accountable process, ensuring due process in the standard-setting of the IFRS Foundation and the IASB.

On some questions we saw some differences of views, and there again I would not wish at this point in time to mention which views were predominant or were in the majority whereas others were in the minority, et cetera, only because of course we still expect those comments to come in.

But, for example, on the enlargement of the Monitoring Board membership, certainly a large number of comments did support an expansion, but on the other hand, there were many who cautioned against the Monitoring Board becoming too large and ineffective, and certainly there could be a certain tradeoff between the objectiveness or efficiency of the Monitoring Board and its size.

From the emerging market countries of course there were very strong calls for inclusion of emerging market authorities as members of the Monitoring Board. There were also some calls for membership of prudential regulators in the Monitoring Board, whilst it is at the moment composed solely of capital markets authorities responsible for ensuring that those standards do meet the form and content of the standards are certainly under the jurisdiction of those capital markets authorities.

So on other points there were some differences I would maybe list. There were some opinions for and against further involvement of the Monitoring Board in the agenda-setting of the IASB, and of course in this consultation report we have made it very clear that certainly independence of the standard-setter is a very important objective that should be maintained, and even the appearance of undue influence from the outside in the standard-setting process would be detrimental to the confidence of those standards as globally-accepted high-quality standards.

But on the other hand of course there is certainly a need to make the entire process more accountable and that all the public policy objectives are taken into account in the development of those standards and due process is certainly followed.

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So there were some views against further involvement of the Monitoring Board but there were also views for allowing or requiring the Monitoring Board to be somewhat more involved in the agenda-setting, but even with regard to those views in support of more involvement of the Monitoring Board, they certainly did not go as far as to intervening in the decision-making of the IASB. I think all commentators agreed that the content and any decisions to be made on the agenda-setting itself would certainly be the sole responsibility of the IASB under the oversight of the Trustees and not a matter for the Monitoring Board to intervene in.

There was also a certain division of opinion on the involvement of the Monitoring Board in the selection of the IASB Chair, and there again our report certainly provides a text in which we certainly laid down arguments both for and against such involvement, and I think the views that we have heard in those roundtables and in the comments that we received do also reflect those different viewpoints and there is a certain division on that.

The last item I would mention where there is some difference of opinion is the dual role of the IASB Chair and the CEO of the Foundation, and certainly there were both opinions in support of separation but there were also many who actually argued against such a separation. And I don't think I should spend much time in explaining the reasons why, but certainly there were different views expressed on that particular point.

So all in all of course I think it is fair to say that the report was generally well-received, and certainly the views expressed, even where there were differences, generally were very much in favor of pursuing this endeavor, taking into account of course the comments being expressed, and even where there were differences I think the differences were very much within the contours of the arguments presented in the report or in favor of one option against another which are in the report.

But we will of course still very much welcome any other suggestions that commentators might have because we have under question 17 “what else

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would you like to suggest in terms of the Governance Review,” an all-inclusive question at the very end.

Now the idea is that once we close the comment period on 8 April we would certainly like to coordinate our work with the Strategy Review of the Trustees and come forward with a feedback statement which will be made public, and then what we have committed ourselves to is to provide an action plan in the early part of the third quarter of this year. In the northern hemisphere this will be early summer. Well, of course we will allow for some time required to actually come forward with a strong proposal and in coordination of course with the Trustees on this point.

And we will certainly try to be as transparent as possible in the process so that we can avoid any confusion on the part of our stakeholders.

So I think this may have been a bit too lengthy, but I report to you on where we stand with regard to our Strategy Review, and if there are any questions, please by all means do mention them, but otherwise I would like to give the floor to our Trustees now for a status update on their Strategy Review. Thank you very much.

Robert (Bob) Glauber: Thank you, Chairman. The Trustees are engaged in the process of developing their Strategy Review paper. Our timetable calls for us to publish that paper in the next several weeks together with a summary of the comments that we have received on our earlier publication or summary document. We will have a full 90-day comment period for our stakeholders to comment upon that draft, together with a series of roundtable meetings presently scheduled for June in Tokyo, Hong Kong, New York, and London, and our intention is to finish our process and to publish it in final document sometimes hopefully in the middle of July.

Let me be really quite brief at this stage since the actual paper will be published in several weeks. It will deal with the mission of the governance, the policies and procedures and process of the IASB and the Foundation and its funding, and we will take into account the comments we have received.

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And I think, again since we are going to publish this very, very soon, it probably doesn't make sense to summarize it in any greater detail.

Chair (Kono): Thank you very much. So we very much look forward to seeing your document very soon. Are there any observations, questions, with regard to those two reports? I'm sure you will have many, but in the interests of time I will have to ask you to be rather brief, but please, Mr. Barnier.

Michel Barnier: Thank you, Masa. First I have to say welcome to those who are following this meeting online and because it's the first time for the public debate, the public meeting we met together with the Monitoring Board on one side and the board of Trustees on the other side. I just want to say a personal word about Tommaso Padoa-Schioppa because he was for all of us a true friend and he will be dearly missed.

And then for this point of the report from the IFRS Foundation, we welcome the Strategy Review by the Trustees, and I think it's a good idea to publish a second, more-focused document for public consultation; however, I would like to stress that this needs to be closely coordinated with the Monitoring Board's Governance Review we are looking on.

Once both reviews are finalized, it will be important to present them as an integrated common reform package, and that is the point I wanted to stress at this time.

Chair (Kono): Thank you very much, Mr. Barnier. Any other views, observations, questions? If not, shall we go on, and of course I think it was made very clear that we do need to coordinate and unify our two exercises so that there will be no confusion amongst our stakeholders, and that also means that we need very clearly to define the roles and responsibilities of the Trustees as the oversight body of the Foundation and the Monitoring Board as the group of public authorities responsible for setting the formal content of financial reporting. But on the other hand, of course the Monitoring Board may expand to include a larger number of members and we will be working together to come forward with a strong and integrated proposal and those summaries.

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Thank you very much. Can we now hear from the Trustees on the next item on the agenda which is Trustees Chair search and on nominations and appointments?

Tsuguoki (Aki) Fujinuma: Yes, because of the sudden death of Mr. Tommaso Padoa-Schioppa, we decided to make the chairman search as soon as possible, and this searching process we have closely communicated with the Monitoring Board. Then we prepared the job description and also we made an advertisement for the position and also the proposed timeline. Our hope is that if we can recommend to the full Trustees the candidates in July sorted by Spencer Stuart, an international executive search firm, assisting with this process, and Spencer Stuart has been contacting the relevant parties to assist in the development of that list. So we will make as much as possible the communication with the Monitoring Board in a collaborative and trustful environment.

With respect to the Trustees appointment in 2011, we have one vacancy position. We are looking for one new European Trustee. And also, this year, 2011, we have nine Trustees with terms expiring. Some of them have eligibility for reappointment. Three people accepted reappointment so that we will start the search for six Trustees as soon as possible. That is the kind of situation.

Chair (Kono): Thank you very much. Are there any questions or views? Please, Mr. Barnier.

Barnier: Thanks very much, Aki, for showing the spirit in which the process is carried out at this time. I just want to underline that we have to insist on the process and this is very important, not only for me but also for the European Parliament and the member states. There was a clear lack of transparency last time and we suggest a process in which the Monitoring Board is consulted in advance, and I think it's correct for us to want to make sure that the Monitoring Board gets access to the list of all candidates. Thank you very much for your attention.

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Chair (Kono): Thank you very much. Please, Mr. Fujinuma.

Fujinuma: We make sure as much as possible that this process should be transparent and we will be consulting with the Monitoring Board members in advance.

Chair (Kono): Thank you very much. And of course it is all important for us to have the best candidates that we can find, and therefore everyone interested in the process by all means please indicate to us your interest or any candidates that you may have in mind as a possibility, so this is an invitation for more submissions. And I think we do need to go forward rather quickly so that we don't create a gap in the body at this very important point in time of not just going forward with the standards but also in improving our governance and developing our future strategy. So thank you very much. Yes, please.

Zarinah Anwar: At the Governance Review Kuala Lumpur roundtable recently there was observation made on the appointment of the Trustees that perhaps the appointment process again has to be made more transparent to the stakeholders. I think the process is agreed, but in terms of the communications to all stakeholders I think perhaps there is a need to look into that.

Chair (Kono): Thank you, Ms. Anwar. Would you like to respond, Mr. Fujinuma?

Fujinuma: We'll do so.

Chair (Kono): That was very clear. Thank you very much. If there are no other comments or questions on this particular point can we now invite the Trustees again to report on convergence and adoption, the next agenda item, please? Mr. Glauber?

Glauber: Thank you, Chairman. Let me put the convergence project process in context. Its purpose has always been, as the convergence project between the FASB and the IASB, to produce high-quality standards and to enable the

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process of US adoption easier, and I think we have to keep it in that context. There have been, and the process to characterize it is moving forward. It has been going on over a long period of time; it has accomplished a great deal; it has still some distance to go. The two Boards are deeply engaged in this process. They have met with great frequency and continue to put out very high-quality standards. As Trustees, we have the responsibility to make certain that the process moves forward properly and respects due process and continues to produce high-quality standards.

Some people have, we've heard it from a number of commentators, stakeholders, that they want to make certain that we recognize that that is the proper focus of the process, that as we come up to the stated date of June 2011, that we continue to make certain that we produce high-quality standards and to do so within the right process, and we have told them, as we have told the IASB and continue to tell the Monitoring Board, that they should be totally assured that we cannot and we will not permit the quality or the due process to be sacrificed to any kind of deadline. This is, of us, it was of the greatest importance. I know it is to the Monitoring Board as well.

We have deeply engaged our Due Process Oversight Committee responsible for this, and perhaps if the time is available I could ask my colleague, David Sidwell, who chairs that Committee, just to speak briefly about what it is doing to assure that we make process and quality the preeminent concern.

Chair (Kono): Thank you very much. Mr. Sidwell?

David Sidwell: Yes, thank you, and I will be brief on that. Part of the way that we and the IASB assure that quality is that there is to follow a formal series of due process steps which are laid out in what is called the Due Process Handbook which is frequently revised so that we keep reflecting in that process best practice to the extent that we continue to research ways of performing that responsibility better. It has transparently and people may see what is going on and we will assure that for any standard that is issued that satisfactory due process to ensure high quality has been achieved and the IASB is a very willing partner in ensuring that this work is done.

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Chair (Kono): Thank you very much. I think we appreciated your explanation, but I see that Mr. Barnier would like to speak. Thank you.

Barnier: Sorry, once more. First I want to thank Trustees Acting Co-Chairman Bob Glauber just right now and David Sidwell for this update. On the convergence program a number of major technical projects should be completed as asked by the G20 several times, for example, Financial Instruments including Hedging, Insurance, Revenue Recognition, and Leasing Contracts. We all know that these are very complex projects, as Mr. Trichet pointed out recently in the context of hedging in IFRS 9. This requires a balance between global convergence and ensuring that interests of jurisdictions and stakeholders applying IFRS are properly taken into account. Convergence should not be at the expense of quality is my main point. It's essential that IASB responds fully to the concerns that have been expressed by stakeholders, including additional field testing of projects where needed.

It seems to me and the Commission that a few more months are required to develop high-quality solutions that meet the interests of users, and I think we should make use of the deadline set by the G20 recently.

Of course looking further there are other important subjects. As I said in New York in October, we would be particularly interested in continuing and improving the work on the standards for Extractives and the Forest Industry, country-by-country reporting. In the EU we are taking actions, as in the United States. Thank you for your attention.

Chair (Kono): Thank you very much. Ms. Schapiro, please.

Mary Schapiro: Thank you, Masa. I just wanted to add that I was very pleased to hear the level of engagement the Trustees are employing with respect to the due process oversight, and given the extraordinary levels of project finalization that are going on right now, I think the rigor and timeliness of the oversight is especially important, so I'm really very pleased to hear about it. Thank you.

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Chair (Kono): Thank you very much. And just as a final point, I think both in my capacity as Acting Chair and also representing Japan I very much concur with the statements just made by our Monitoring Board members, and so would certainly like to urge the Trustees to pursue their excellent work and also take note of the comments being made by Monitoring Board members as we go forward. And certainly on those aspects of due process that we certainly are interested in, we hope we will be able to coordinate and avoid any concerns from stakeholders that in any case quality is compromised because of the absolute need to meet a certain deadline. I think what she just mentioned, that quality is the predominant factor, we very much agree with your remark. Thank you very much.

Now are there any other observations, questions? If not, I think there is another important item on the agenda which is project in financing, and can we hear from you on this point?

Glauber: Thank you, Chairman. We have presented to you both our 2010 final results and our budget for 2011. In 2010 we actually were able to achieve through some careful management a somewhat smaller net operating loss than we had expected, but nevertheless a net operating loss, and that has reduced our reserves, still very large, over 7 million pounds, but has reduced it somewhat, and we understand that such a result can't be sustainable.

With that understanding we have worked very hard to be able to present and adopt as Trustees a budget for 2011 which is in balance, which has no operating loss. We've done this through both the management of revenues and the management of the expenditures. On revenues we've been able to increase and expand revenue sources to other parts of the world. We have particularly benefited from the EU's wide grant support as well as supplemental contributions from individual country commitments within the EU, and the European Commission has been of great help to us in securing that. We've added new revenue sources from several countries, Brazil and Malaysia, and we are in discussions and very encouraged by the discussions we're having in the US with the SEC and the Financial Accounting Foundation about financing support in the US. So as I say, we've made I

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think important progress in being able to balance the budget and very much more perhaps with the longer term important progress on these financing sources.

Chair (Kono): Thank you very much. Are there questions, observations on this point? Well, here again of course we very much appreciate the efforts being made by the Trustees on providing for a stable funding source and also coming to terms with both the increasing demand for resources and expenses while at the same time doing their best to make ends meet, and we do see progress on this front which we certainly very much appreciate. Are there any further points that Monitoring Board members would like to make?

Well, if not, we are past our scheduled time, except that we do have another item which is any other business. So by all means please feel free to raise any point that we may have missed. No? In that case, do the Trustees have anything to mention to us? No.

So thank you very much for taking your time. This has been a very efficient meeting and I wish you all well in your return trips or whatever continuation of your stay in London. Thank you very much.