Monitoring Board
and
IFRS Foundation Trustees Meeting

(Transcript of Public Meeting)

Date: 11 April, 2013
Venue: London

Note: This is a verbatim transcript and directly taken from the original sound source.

London, April 11, 2013

Public Session: Monitoring Board and IFRS Foundation Trustees Meeting

Michel Prada: Good morning ladies and gentlemen. Welcome to this joint meeting of the Monitoring Board and the Board of Trustees. As you know, this is a public meeting, so I recommend you push the button to make sure that the recording is OK.
Welcome to you all.
The first item on the agenda is the Monitoring Board Governance Review. Chairman Masa, please take the floor.

Chair (Masamichi Kono): Thank you very much, Michel, and thank you all for coming together this morning to this meeting of the Monitoring Board together with the Trustees of the IFRS Foundation.
With your approval, of course, I would like to chair this meeting.

I am Masamichi Kono, chairman of the Monitoring Board of the Foundation. As Michel already mentioned, this meeting is a public meeting and we will be publishing transcripts later on.

We basically have four important agenda items. We will hear a number of reports on the activities of the Monitoring Board, and then there will be a report from the International Accounting Standards Board. Then there will be a report from the Foundation Trustees on their activities, and lastly, we also have some issues of transparency which I requested to be added to the agenda because I still think there is ample room for improvement on this topic. So, with your indulgence, we would like to go through those agenda items quickly.

As we have a lot on our plate, we need to be extremely efficient, so I ask you to keep your interventions concise and to the point so we can save time.

If there are no immediate comments on what either Michel or I mentioned, can we start on the first items? They are the report from the Monitoring Board on the state of play with regard to the implementation of the Governance Review that we issued in February last year, with reference to the document MB 1, which is the press release that the Monitoring Board issued as of March 1. I won't try to go through each and every line of this press release; I'll just try and give a quick summary. If I miss any important points from your standpoint, please mention it.

First, the Monitoring Board issued a final report on the review of the IFRS Foundation governance on February 9, 2012, and as you will recall, the report identified a number of enhancements to the governance framework of the foundation and included an action plan for the implementation. We adopted what we call a two stage approach, where we first agreed on the broad recommendations—and certainly at this stage those recommendations were agreed on not just by the Monitoring Board, but also by the Trustees—and we decided to work together to implement them. The second stage was to actually flesh out the elements and criteria to make those recommendations operational, particularly with regard to expanding the Monitoring Board's membership and to start periodic assessment of membership eligibility.

So for the past year we have been working on the development of an evaluation process and assessment of the criteria for qualifying for membership of the Monitoring Board. This was finalized in the press release I referred to that was issued after the Monitoring Board meeting in February this year.

Again, I don't want to go into the details, I just want to refer to the fact that the most important element of this work was the criteria for membership. First the press release says that a Monitoring Board member must be a capital market authority responsible for setting the form and contents of financial reporting in a jurisdiction. The criteria then go on to say that a member should demonstrate its commitment to the "use of IFRSs" in its jurisdiction capital market and also be participating in the funding of the Foundation. So the first important elements are the "use of IFRSs" and also participating in the funding. Then the press release goes on to say that in order to demonstrate that the jurisdiction is indeed eligible with regard to the "use of IFRSs" it has to make "a clear commitment to moving towards application of IFRSs and promoting global acceptance of a single set of high-quality international accounting standards as the final goal, and that the commitment is evident by the jurisdiction's mandating or permitting application of IFRSs to consolidated financial statements of companies raising capital in the relevant market, with the effect of actually exhibiting prominence of IFRSs application or having made the decision on the transition to such a status to take place in a reasonable period of time."

Now, this is already very long, so I will skip some other elements which are still important, but in the interest of time, I will just go on to say that for this purpose, the Monitoring Board has developed some quantitative and qualitative elements in consideration in making this assessment of eligibility and has also established a process for assessing the existing members against the criteria, every three years, starting in 2013, which is this year. The Monitoring Board anticipates completion of the assessment, and also in addition to this, adding new members with, of course, an assessment of those new members against the same criteria, and completing this expansion in 2013.

Now, of course, this morning at the Monitoring Board we agreed that we will start this process immediately, and we will have a dedicated task force at deputy level to carry forward the work. And we will be opening a process for nominating interested parties for membership in the Monitoring Board. I repeat that, of course, the memberships will be limited to capital market authorities responsible for setting the form and content of financial reporting in their jurisdiction, but there will be an open and transparent procedure for application. First this will apply to up to four additional members primarily from emerging market jurisdictions, and then there will be a parallel but separate process of having two rotating seats in consultation with IOSCO (International Organization of Securities Commissions).

So, at the end of this process with the target of the end of this year, we will have up to six new members in addition to the five members we have currently in the Monitoring Board. So we will have a more inclusive and expanded Monitoring Board as early as from next year on.

This is basically my report on the most recent developments at the Monitoring Board. We have started this process of enlargement and we certainly would like to ask, of course, for the full understanding and cooperation of the Trustees to make this happen in an efficient and smooth manner. I'm of course open to any questions that you may have now or later. Thank you very much.

Prada: Thank you, Masa. This is obviously an extremely important and significant development as a follow up to the review that took place a year ago. We do not have to comment on the evolution of the body that monitors us, but may I on behalf of the Trustees say that we are certainly impressed by the evolution that took place and are very happy with the orientation that has been adopted. Having said that, are there any questions or comments among members of this presentation on the evolution of the Monitoring Board?

Chair: If not, I can certainly go on to the second part of my presentation…so with your indulgence…I spoke about our most recent press release, but to have this operational we do need to make some changes to the Charter of the Monitoring Board, which we agreed to do this morning at the meeting of the Monitoring Board. Second, we also need to revise the Memorandum of Understanding (MoU) between the Trustees and the Monitoring Board to enable those changes and to incorporate some important elements of the common understanding we reached at the time of the issuance of the Governance Review Report between yourselves and the Monitoring Board. So, if I may, I would just like to very quickly introduce what the changes are. I hope you do have before you a note indicating those changes to the Charter.

First, of course, there are some very technical changes in the wording, that is, since this document dates back several years, we have IASCF as the name of the Foundation, whereas we have to change this to the IFRS Foundation. And then there are some wording changes that we need to make to the preamble in line with the Governance Review Report which would not be material.

Apart from that, what is important, of course, is to provide a reference to the Governance Review Report at the end of the preamble. We said that "having regard to the IFRS Foundation Governance Review and in pursuit of constituting an effective and sound governance structure found the activities of the foundation," which is an additional line in the preamble.

If you go down the document, there are some elements from the agreed governance review that found their places in the MoU, one of which I will explain in more detail later. With regard to the IASB Chair selection, it very faithfully tracks the agreement reached in early 2012 on the role of the Monitoring Board with respect to this process of selecting the IASB Chair, and it makes it very clear at the outset that the IFRS Foundation Trustees have the ultimate responsibility for selecting the IASB Chair and there should be no attempt to undermine this authority or responsibility in any way. For the sake of transparency, and also accountability, the trustees will agree with the IFRS Foundation Monitoring Board on a set of criteria for selecting potential candidates, which will be documented and made public, and so this part has to be made operational.

Then the press release goes on to say that the Monitoring Board will submit to the Trustees its assessment of a short list of candidates against the criteria for the Trustees' reference. I do need to elaborate on this point, because when we agreed upon this language back in early 2012, there were very active discussions of what this exactly meant, and I would say that the reason why we have, at the outset, this line mentioning the ultimate responsibility for selecting the IASB Chair is precisely because, while it would certainly be helpful to have the opportunity for the Monitoring Board to present an assessment of a short list of candidates against the criteria—and against the criteria is also important because the Monitoring Board does not have any discretion in providing its views except with regard to beyond what is agreed in the criteria—and then it is for the Trustees' reference, meaning that the Trustees will make an independent decision having heard the assessment of the Monitoring Board but without any further intervention or interference. This is why we have this language here, which has been carefully crafted.

Now, going on to the next subject, very quickly, there is another point which was in the Governance Review report and a faithful reflection of what was there in terms of reference to agenda items. If you look at article 3, paragraph 10B, subparagraph ii, the existing MoU already says that first, of course, the Monitoring Board may and will refer accounting issues to the Trustees and the IASB Chair, but then we just elaborated on this by saying that the Trustees will work with the IASB to ensure these issues as referred to by the Monitoring Board are addressed in a timely manner. And if the IASB determines that consideration of the issue identified by the Monitoring Board is not advisable or that the issue can not be resolved within the time frame suggested by the Monitoring Board, the Trustees should call on the IASB to take all reasonable efforts to consider the issues in a manner that is consistent with the public interest, taking into account the protection of investors and call on the IASB to explain its position to the Trustees regarding the issue, including a demonstration to the Trustees and Monitoring Board that adding the matter to the agenda would be inconsistent with the standards and responsibilities established in the IFRS Foundation Constitution.

This is really a safeguard against any undue intrusion or intervention from the Monitoring Board on the responsibilities and authority of the Board in actually setting its agenda. Again this was another point that was debated at great length and in depth not just by the Monitoring Board but by the Trustees back in 2011 and early 2012, and we crafted this language so there is full respect given to the independence and accountability of the IASB and the proper role of the Trustees in overseeing the standard-setting process, and that the Monitoring Board will take a very limited role in referring to the agenda items. But having said that, of course, we think and we agreed that such formulations—not just with the agenda recall issues but also with regard to the selection of the Board Chair—would be a most useful way to establish a working relationship among and between the three layers of governance that this Foundation treasures and that will be maintained in the future. So, these are the main elements that required changes in the MoU.

Just for your information, in the Monitoring Board Charter, actually we made some changes incorporating what I just described as the membership criteria for the Monitoring Board, so there will be a fairly elaborate description of the membership criteria and the assessment process, and also there will be an appendix listing the organizations, which will be a significant expansion of the existing Charter. I repeat that this Charter was in principle agreed upon this morning at the Monitoring Board and so was the draft before you with regard to this MoU as well.

Now, my request to you today is not to make this a final document today, but at least we would like to have your broad agreement on what is contained in this as the proposed MoU and, of course, we will have probably a short written procedure to confirm it and make some editorial changes if necessary, and there may be some minor editorial changes required in the sentences or some places in the document. So, what I would like to have from you is, of course, your reaction, and we would certainly like to move forward on this basis as quickly as we can with your consent.

Prada: Thank you very much, Masa. We fully appreciate all the presentation and comments you made, which are self explanatory. It's true that we received this paper quite late and a few of us are new to this organization, so we may have to look into it in a deeper way, but I open the floor to questions or comments. I see Bob.

Bob Glauber: Thank you very much, Chairman Kono, for the elaboration and clarification you gave in your comments about the MoU. As you said, it embodies a three-layer structure that has been very carefully developed, in which the top layer is the Monitoring Board, the second layer is the Trustees, and the third is the IASB. By my understanding the essence of that three-layer structure is that the Monitoring Board has direct authority over the second layer and provides input, as you pointed out, but does not have direct authority over the third layer, which is the IASB. So in that context I'm glad for your amplifying comments on section 9A, B, and C, as well on 10 B ii 2, the latter being the issue of agenda input.

I interpret from your comments to mean that we have a responsibility to comply with your agenda input or to explain why not—why they are inconsistent. As regards section 9, which is the selection of the IASB Board, my understanding from your comments is, in essence—and again subject to a sort of words missing of detailed words—that section 9C would give the Monitoring Board the authority to make assessments but that this does not constitute a veto over a choice. I think that is an important distinction, but I take it that that is the correct distinction. I would appreciate your clarification.

Chair: Thank you very much, Bob. I will confirm on record that this paragraph on 9, C, does not allow the Monitoring Board to veto against it. I think either to approve or disapprove is within the authority of the Trustees, the Monitoring Board will present its views in this form, but it is up to the Trustees to decide.

Glauber: Thank you very much for your clarification.

Prada: Any other questions or remarks on this presentation?
Well, I see none. Thank you, Masa. We will follow up as you proposed: we will see whether it needs any detailed fine-tuning as speedily as possible to

finalize this important piece of broad picture.

Chair: Thank you. I did fail to mention one important point, which is that this draft Memorandum of Understanding is not for immediate release today to the public because it is a working document and it is going to change. So those stakeholders who are either present or looking at this meeting with strong interest, I need your indulgence to let us clean up a few editorial points and then of course this will be for the public to review.

Prada: Thank you, Masa. This is extremely useful. Does this complete your presentation?

Chair: Yes, thank you.

Prada: Thank you. Now we can move to the next item on the agenda, which is the update on IASB developments, including the IASB and FASB convergence project, and I would like to give the floor to Hans Hoogervorst.

Hans Hoogervorst: Thank you, Chairman. We provided the Monitoring Board with ample written information but I would like to highlight a couple of issues: the IASB is in a situation of big change; the era of convergence is coming to an end; the big projects are being ended, hopefully most of them by the end of this year; and the way we work with our constituents around the world is also changing.

The last years have been dominated by a bilateral relationship with the FASB as we were coming to a convergence on the big project.

We have engaged in a new way of working. We started this week with the first meeting of the Accounting Standards Advisory Forum (ASAF). I think it was a very good meeting, with twelve standard setters and regional bodies from around the world.

As I said, we are moving form a period which was dominated by bilateral relationships, especially the one with the FASB, we are now moving to a period where we want to work together with all our constituents around the world. We brought twelve of them together in a room and I think we had excellent discussions on a variety of issues, especially on the Conceptual Framework. I believe that all of us found it was a very good experience, that the quality of discussion was very high, and that it represents a new era for the IASB and the way we work.

Another expression of our renewed inclusiveness with our constituents around the world is that we opened a regional office in Tokyo, the Asia-Oceania Regional Office, which is expected to serve as an important regional hub. This office started working a couple of months ago and is rapidly gaining speed.

What is, I think, especially important to the Monitoring Board is that we want to have more emphasis, or a more reasoned way, of assessing the effects of our work: that we have a better analysis of what our standards bring to the world. We already do that with every standard, but in a bit of a haphazard way and not in a sufficiently objective way. We have put together a working group which is going to meet for the first time on May 20 this year to put together a better way of analyzing the results of our work.

Obviously, what we try to do with all our standards is to improve economics to give better insight into economic risks and to give a better reflection of the actual economics behind accounting, and we hope that this will lead to better capital allocation. I think I can best demonstrate that by discussing briefly the important projects that we are still working on together with the FASB.

First, Revenue Recognition is an extremely important, top line indicator of the performance of a company, and I think it is unbelievably important that we have full convergence with the FASB. We are very close to finalizing the standard and it will replace standards in the United States, which has an extreme amount of application guidance, and it will replace standards in our part of the world, which does not have sufficient application guidance. I think it's really a crown on our convergence work that we have been able to stay completely converged with the FASB and that we got a converged solution for the top line.

Another area where we have stayed completely converged with the FASB is Leases. Here, we really provide the investor with better insight into the actual economics. This crisis has, to a large extent, been caused by excessive leverage in the system, and we all know that there is a lot of off-balance-sheet financing going on through leases. We want to get it on the balance sheet to provide better insight into the actual leverage that companies engage in. To give you just one indication, it has been estimated in academic research that on average, leases lead to an underestimation of long-term financing of about 20%, and that is a lot. It is very important that through this project that we get it indeed on the balance sheet.

Obviously, Impairment is also extremely important. I think that both FASB and IASB recognize that our current standards, the incurred-loss model, lead to an underestimation of risk on the balance sheet of financial institutions (banks) and that is why we have been working since the financial crisis to get a better model, an expected-loss model, which gets a better reflection of actual economic reality and of the risks that banks have on their balance sheet.

Unfortunately, in July last year, the FASB and IASB drifted apart on this issue. Although we had a converged approach, we didn't have a complete solution, and there were concerns by the FASB that it would be too complicated to apply and that it would also not lead to a sufficient amount of provisioning. The boards have been working separately on their own models in the last couple of months. Both boards have now exposed their models and we have agreed in the comment period, however, that we have a big overlap, and we have agreed to come together to discuss each other's models and to see if we can get closer together. I am still hopeful that we will get at least a lot closer together. It is doubtful that we will reach complete convergence, but it can still happen; lets see what we can do.

I would really recommend the securities regulators here around the table to take a very close look at this. Until now, it has been especially and very understandably the prudential regulators who keep a close eye on this project. They look at it from a prudential point of view, primarily with the question of: does it lead to a sufficient amount of provisioning? But, of course, there is also the question: does the impairment model truly reflect the economic performance of a bank? A model can lead to fantastic provisioning, but if it, at the same time, leads to possibilities of earnings management or completely clouds the true economic performance of a financial institution that would not be in the interest of the investor either, so I would really urge securities regulators to get involved in the discussion.

Then finally some words on Insurance. This is not an official convergence project between the FASB and IASB; nevertheless, we have tried to develop models that come very close together, and the common denominator of our models is that they will lead to a current measurement of the insurance liability. Insurance is all about the time-value of money, at least it is extremely important, and in many parts of the world, currently the insurance liability, especially life insurance, is not measured with current interest rates, which has the consequence that insurance companies show their insurance liability using the historic interest rates of, lets say, ten years ago—obviously they are not showing the true risks that their portfolios have, and although there are differences between the FASB model and the IASB model, we both require insurance companies to measure currently. It's a huge improvement and is something that makes many insurance companies nervous because it does bring a lot more transparency, and obviously the current climate of low interest rates is very difficult for insurance companies. It is an issue that leads to a lot of discussion, where not every insurance company is happy with the way we are going, but it is extremely important that we get this done. We are very close to a final exposure draft and we hope to publish that in the next couple of months.

Finally, a few words on our new agenda. People have asked us that when we have finished with the four big standards, for the time being, to stop issuing wide-ranging standards. They want us to consolidate the standards as they are, but they have asked us to pay a lot of attention to the Conceptual Framework, of which we currently only have Chapter 1 and 3 revised. There is still considerable uncertainty about the conceptual foundations of our measurement bases and the big question of performance: what is the meaning of "Other Comprehensive Income"—nobody really knows what it means—and they've asked us to rewrite the Conceptual Framework in that respect and to try to come up with clear answers.

Now, the ASAF, which I've just talked about, is going to be our consultative group on this issue. There's a lot of expertise in the ASAF, and those who followed the discussion on Monday and Tuesday may have noticed that the quality of the discussion was very high. It is not immediately so that this group gave us all the answers to all the difficult questions—asking the difficult questions is very much easier than answering them—, but we really feel that ASAF is going to be a very good consultative group to discuss these issues with.

And finally, we are doing some smaller standards that are of particular importance to our room of constituents around the world, for example IAS 41 Bearer Biological Assets, which is very important in parts of Asia and also in Latin America, and we have already progressed a lot on the way to issuing a new exposure graph on that issue.
This is my introduction, and I'll be happy to take any questions.

Chair: Thank you very much, Hans. I would like to invite now comments and questions, and I have Mr. Barnier on my list.

Michel Barnier: Thank you, Masa, and good morning, to everyone. Thank you for this very useful review of the IASB's current projects and activities. We'd like first to make a comment on convergence.

In particular, convergence on the financial instruments stands out. Convergence remains an important objective which the EC supports, and I agree with you that timely completion is critical. IFRS 9 has been delayed, but it must be now completed as soon as possible because sound loan loss provisioning is critical for financial stability and market confidence. You spoke about the two boards, the IASB and the FASB; they have now published their own proposals on incurrence. I am happy to hear that you are confident, and that you expect the boards to sit down together. Let' see what happens.

I want to make a comment on the point you made about effects analysis. I welcome the creation by the IASB of a working group to develop a methodology for field tests, and effects analysis. As you know, this is an important issue for the EU and we have advocated this for some time already. In the EU we have generally strong procedures and requirements to carry out impact assessments before each new legislative proposal. And I think it is a good practice. I look forward to seeing the results of the work of the group. My staff will actively, as usual, participate and share experience with the group. F5 will also contribute to develop the expertise and they published last year a paper on considering the effects of accounting standards.

Finally, I will make a short comment on long-term investment. From my side I would like to draw your attention, dear friends, to the Green Paper on long-term investment by the European Commission published a few days ago. It is also the agenda of the G20 or OECD, and it will open for comments from stakeholders during three months. This paper aims to stimulate broad debate about how to foster the supply of long-term financing of the European economy; in particular how to improve and diversify the system of financial intermediation for long-term investment in Europe. The green paper asks questions on the impact of accounting standards on short-termism financing, in particular where the stakeholders believe that the use of fair values contributes to short-termism in investor behavior. As you know, I'm convinced of the link between accounting-standard setting and wider public interest, and I encourage the IASB and Trustees to closely follow this debate. In this regard, Hans and Michel, I want to thank you, and I welcome the stakeholders' event on the long-term investment organized two days ago with this ICAEW. Thank you.

Chair: Thank you, Michel. Would others like to comment or ask questions? I see no-one. Would Hans like to respond?

Hoogervorst: Well, first of all, I am confident that we are going to finish IFRS 9 and that we are going to finish Impairment. If only because people are fed up waiting for us, I'm a member of the Financial Stability Board, and I would like to continue going there without being the scapegoat for the crisis. So, we have to get this done. We know we have to get this done, and I know the FASB is of the same opinion. I'm not completely convinced that we'll get completely converged, but I truly hope that we can get as close as possible. Indeed, about long-term and short-term investment, obviously, as I said before, the prime goal of our work is to improve the economics and to show the economic reality as it is, in the knowledge that showing economic reality will mean that there will be an improved allocation of capital. I gave the example of leases: in the sort term it might be unpleasant for companies to show a lease on the balance sheet. I think it will lead to better decision making. It is not only important for the investor; I also think it is important for management. I think, in a lot of companies, probably not all managers are aware of the financing that is being done through leases. If we force it on the balance sheet, a lot of companies might come to better decision between either pursuing a lease or purchasing the assets themselves and financing through a bank loan. I think it will absolutely lead to an improved allocation of capital and that it will be in the interest of long-term economic growth. So, we have the interests of long-term economic growth and long-term investment very much at the center of our work.

Chair: Thank you very much. Any other comments or questions on this topic, please? In fact, you mentioned this need for market regulators to come into this debate, and since the Financial Services Agency of Japan is both a prudential regulator and a market regulator, I should be able to provide a certain balanced view, but what I can say as of today is that we truly look forward to further efforts to converge and that we would like to see this project succeed. I think that is certainly a very strong urge from the Monitoring Board and I hope my Monitoring Board members would agree. Greg, please.

Greg Medcraft: I totally agree. To be honest, I find it amazing after all these years that we're still debating about the position of leases: on-balance or off-balance-sheet. I find it extraordinary that we are still debating it. Of course they should be on balance sheet, so good luck. It is incredible, frankly, so I fully support what you're saying.

Hoogervorst: Unfortunately, it's not so incredible—off-balance-sheet financing is very popular around the world.

Medcraft: Yes, very popular—you realize that's how I made my living for thirty years, but now I'm on the other side. It is frankly amazing that this game has been going on for so long, so I applaud your efforts and encourage you and I totally agree. I was saying this morning, that, at the end of the day, the fundamental thing is that a balance sheet should reflect the business model of the entity. What we all know is that we rely on standard setters to actually get it right—that the business model is correctly reflected— and, essentially on the other side, many creative bankers are looking to get around it. I think that's it.

Masamichi Kono: Thank you very much. Oh yes, Bob, please.

Bob Glauber: Chairman Kono, thank you. I'd just like to return for a minute to Impairment. You just made a comment that you have the good fortune to be both a prudential and securities regulator in Japan. As you know, in the United States, we have different regulators. My sense is that over the years, as I've watched this, there have been some differences in viewpoints as regards Impairment between these two bodies, and I hope that the IASB and the FASB will receive the benefit of both views of the regulators in the United States, and whatever differences exist will be highlighted in their comments. Thank you.

Chair: Thank you very much. Any other comments? Anything from our U.S. colleagues?

Elisse Walter: No, I don't think so at this time. We too wish you luck. We are very much looking forward to the conclusion of convergence on all these issues, and we will be happy to do anything we can to help on that regard.

Chair: Thank you very much. So, if there are no other comments, we'd like to move onto the next topic, which is the update from the IFRS Foundation. So first Yael, could you explain?

Yael Almog: The main point that we would like to highlight today is some of the key progress that we have made on implementing the Strategy Review and the recommendation included in it.

The first one was actually mentioned by Hans, and I would not like to elaborate so much about it, I would just like to say—from the point of view of the Trustees who conducted the establishment of this body in the way it was supposed and expected to work, and then, of course, were responsible for the very sensitive issue of selecting the members—that we had extensive discussions on this and eventually after a very strict process that we have agreed upon and which we have followed very carefully, the group of twelve members was selected.

It is very important to emphasize that this is an experiment of two years and we expect to review all aspects of the working of ASAF, including the membership. We expect also the Monitoring Board to follow carefully the working of ASAF and to provide any comments or suggestions when we come close to the review. Each region had its own sensitivities around the membership and application, and finally the appointment. We hope that we achieve the best solution to start with and, as we said, the beginning looks good. From the point of view of the technical team, and Hans, and Ian, it was a good start.

Chair: Thank you very much. Can I invite any questions or comments on this point? In fact, if I may, I would just like to mention that certainly we look very much forward to the work at the ASAF, and that you have the highest level of professional capacity and talent gathered around the table. You should certainly be an excellent means of enhancing your standard-setting work and having useful discussion also assisting the convergence process.

But if I may, I would like this not to be an exclusive party that is a closed-door discussion between just the members, maybe you could perhaps also give us some hints for any outreach possibilities or any things that you could provide with respect to non-members of ASAF.

Almog: Certainly. First of all the ASAF itself accommodates the possibility of ad-hoc participation of non-members in the case of the agreement of the members and the final decision by the chair. The chair in this case is Hans, and he tends to work very closely, listening to requests both from within and outside the membership of the ASAF.

Second of all, we maintain a very important event that we have annually, the World Standards Setters Event, which will coincide with one of the ASAF meetings and hosts everyone who wants to participate and provide comments.

This is not a culmination of bilateral relationships; they will continue not so much on the formal level but definitely ad-hoc and as needed, so everybody is still in contact with us, and we are launching a research project that will be developed with standard setters according to their preferences, expertise and particular needs.

So all of that leaves all links of communication open and we have also communicated with the IFASS-International Forum of Accounting Standard Setters, which we see as a support group for the twelve ASAF members.

The ASAF members were indeed selected upon the assumption that they serve as links to their communities, particularly the regional bodies which are members of the ASAF.

All of that, I think, makes a clear message both formally and practically that we see this as a non-inclusive relationship with the global community of standard setters.

Chair: Thank you very much. Mr. Barnier…

Barnier: I don’t want to take too much of your time, but I will make a short comment on that point.

First, I’d like to welcome the initiative taken by the IFRS Foundation, and I’d like to thank you, Yael, for all the work you are doing to formalize and streamline the relationship between the IASB and national standard setters. I think it’s very important for acceptability of the standards to enhance the ownership by national standard setters and I am sure that this Forum will contribute to achieve this objective. I know that it was not easy. It’s never easy to designate an EU delegation in the forum.

The EU is one single IFRS jurisdiction, but it represents 27—in a few months, 28—different countries, and we need to find a pragmatic solution that would reflect the diversity of the accounting traditions and practices in the EU and would give space not only to bigger standard setters but also to so smaller ones. From the Commission's perspective, all applications from EU national standard setters are of equal value and quality. Therefore, we strongly gradualize to a yearly rotation for the participation of these EU standard setters. This is a very important issue for us and I would appreciate your understanding.

Chair: Thank you very much. Who else would like to speak? Yael, no?

Prada: Just to take stock of Michel Barnier's remark, we are fully aware of the question raised and as a Frenchman I can appreciate this remark. We have to be very careful with the way all these things have been organized and designed, and the due process that has been followed. I understand that, at the same time, the EU is considering its own organization, so I think we'll have to look into this in the near future, we are not going to deal with it here. But clearly we are of the view that this is a new organization that needs to be carefully managed and considered, and it is clear that there will be, at some point in time, lessons to be driven on the way it functions.

Chair: Thank you very much. Certainly this must be an extremely important way of enhancing a sense of ownership around the world for a single set of global accounting standards. If there are no other comments on this, may I take the next two topics together? One is the update on the financials and then funding, a very important topic. Shall I invite Yael first, or…?

Almog: We provided a detailed report, and I will just highlight a few points on it. On slide 3 you have a presentation of the summary of the 2012 results, and as you can see, the bottom line of 2012 is that we finished with a surplus of 2.4 million pounds, of which 1.8 is the net operating income and around 600,000 is unrealized gains.

We intend to add this to our reserves but we do not expect this surplus to reoccur in the next year. You can see the key lines in this summary, first of all the contribution line, which represents a gap in the sense that we expected more contributions than were actually collected at the end of the year.

The key shortfall in our contributions is attributed to the development around the U.S. contribution. Primarily, we planned for an uplift but we couldn't realize that. We also have experienced a drop, compared to last year, as several of our U.S. corporate contributors ceased or reduced their contribution during 2012. In terms of contributions, we have less than we expected to have. But on the operating expenses we did have substantive savings on remuneration—this is the key expense of the Foundation—and we saved around 2.6 millions pounds this year, primarily because of delayed hiring of staff and delay in appointments of Board members and senior staff.

So our plans for next year, considering the existing full head count, is that this saving will not be repeated and, therefore, we are addressing the issue of funding because we need to take stock of the funding gap that is expected over the next years.

As for the expenses, again, we are currently at a level of expenses of just below 50 % of our yearly budget and the Trustees have decided strategically to increase the reserves of the Foundation and to increase the stability of the Foundation over time to reach a 100 % level of reserves.

The other point I would like to emphasize and bring to your attention is on Slide 6, which is the 3 year plan that we have developed in the last month. The main advantage of this is that we can provide to our contributors a forward-looking expectation of what they can expect from us. The key assumption under this program is that the head-count levels are maintained and not increased—this is a change compared to our Strategy Review of last year, which predicted a large increase of human capital. We are not expecting that under the current circumstances. What you can see under this plan is that the total operating expenses line basically shows what would be our expectations for our expenses, that is, we preserve the same plans as for 2012 for the next three years, form 2013 to 2015.

However, our contributions remain the same, at least under the budget, and that means that we have a funding gap that increases. This is the second line in this table. We are doing a lot both at the trustee level and the staff level to address this growing gap. To complete that, if we add to this program a structure program to increase our reserves, which is not reflected in this table, the funding gap would be even larger.
So the funding issue is, of course, our first priority and this will lead us to the second item in our presentation. So I'll hand it to you.

Prada: Yes, as you can see, this is a matter of concern for us, and it has been a matter of concern for a few months now. We've had an extensive discussion and a lot of work has been done on the funding of the organization. To remind you, there has been an evolution over time since the inception in 2001 until now. Originally the Foundation was seen as a purely private organization responsible for its own funding through support from the purely private sector. But we quickly saw that this kind of system would not fit the mission of the Foundation and we saw some kind of public support developing with the private funding and the commercial resources.

Having thought about this issue, the Trustees, when considering the Strategic Review, considered that for the future, as the organization has become part of the global architecture, there was a need to develop and consolidate the publicly sponsored funding and to design a system that would be clearer than the successive layers of decisions made in the past 10 or 12 years.

So the conclusion we came to—and we are going to finalize in a detailed way to present it to the Monitoring Board—is that we should have a three-pillar system, whereby the majority of the funding of the organization be based on publically-sponsored contribution at the country level. We've analyzed all the criteria that could be used to design a fair distribution of the funding between countries, and we came to the conclusion that GDP was probably the best one and the most easily operational one. So that would be a first pillar, and in that case we need to sort out the legal and technical difficulties that here and there raise questions with regard to the contribution of countries. I don't want to mention here specifically countries, but we all have in mind the U.S. issue, because I believe that this is clearly one of these institutional questions that is not easy to deal with, where the starting point is private contribution, of the essence, and moving to a solution where publicly-sponsored contribution would be the rule of the game. I know that a lot of thinking is done with our U.S. friends to try to deal with this. Clearly this is of the essence for the funding of our organization.

Together with this publicly sponsored first pillar, which should be a significant majority of our funding of the organization where we should seek some kind of long-term or medium-term commitment from countries, we would have the privately-provided funding. Here, I have to say that we should consider support from accounting firms, which have been extremely supportive in the past. We have debated extensively on this issue and have come to the conclusion that, contrary to what is said sometimes, there is absolutely no reason why we should not seek support from the accounting firms—we don't see any kind of conflict of interest there. On the contrary, we see a kind of complimentary activity between the firms and us: the firms need good standards to do their job properly, and we need the firms to audit the standards properly. So it's not an odd position or a kind of conflict of interest.

With this in mind, we are considering the possibility to seek more support for funding from the firms, not only the big ones, but also the second- and third-tier ones, so that this will consolidate the situation of the organization. Whether we can seek further private support is to be seen, as it's a little trickier to design.

Furthermore, we would like to clarify the commercial approach to the funding. There are clearly activities where the commercial approach is well founded. When we publish books or whatever, there is clearly a reason why we should seek commercial income. In other cases, it's a trickier issue to look into the issue of intellectual property, because when countries have adopted the standards and provide funding to us, intellectual property cannot be analyzed as if it were a purely commercial kind of thing. So, today, that is an ambiguity with regard to the way we deal with intellectual property, copyrights, and so on, and our relationship with countries, and we are going to work to clarify this and make sure that we have a relevant commercial approach to intellectual property, and then have a clear discussion with countries—either they take the public-sponsored approach or the commercial approach. But we shouldn't be in the ambiguous situation we are facing today.

Finally, and this is extremely important for us, this remains a foundation: it is part of the global architecture, but we need your support. We need the support of the Monitoring Board, and there are mentions of this issue of funding in the constitution of the Monitoring Board, but clearly my personal view is that we need the support of the "leaders" globally to convince countries of the relevance of our system and to convince them that we need their support. I will meet leaders at the G20 level, the FSB, the IMF, the World Bank, and others.
Clearly we ask the Monitoring Board for support and the securities regulators for support, because, as you can see, we are in a situation which is not very good. To be frank, today we have a funding gap—and may I remind you that the data in the annual strategic review that was made public in January or February 2012 foresaw funding that was much more significant than what we are considering today, which means that we have limited resources and, therefore, limited capacity to answer the requirements of all the stakeholders.
I'll stop there, but I really believe that we need to work with the Monitoring Board in such a way that this framework be globally accepted and even better implemented.

Chair: Thank you very much. Before I try to respond to the last point raised by Michel, can I take questions and comments on the financials? We did have a short discussion this morning at the Monitoring Board…Greg, quickly?

Medcraft: Yes, I have a couple of questions. What is the rationale for the reserve base that you want to have?

Almog: You mean the target?

Medcraft: Yes.

Almog: First of all it's benchmarked against similar bodies that work internationally, the FASB, for example, but I think the decision was more or less a decision saying that we need a one-year reserve in case of anything that happens in the economy—we have to be sure that we can secure the staff, and secure the operation of the organization. So the one year target seemed like a reasonable figure that we should aim for.

Medcraft: OK.

Hoogervorst: I have never been in charge of an organization with such a small reserve, especially considering the fact that we are dependant on voluntary contributions. It's quite a precarious situation, so we really need to have 12 months in our bank account.

Medcraft: I'd probably debate whether you need a year, but anyway, the second question I had was in terms of your cost structure. I suppose in terms of asking for more money, I know when my agency asks for more money, normally they usually ask me, "Well, how well are you spending the money we're giving you." We've had to go through reviews by McKinsey and also by Oliver Wyman, in terms of the efficiency of how we spend money. Have you actually ever had the process where you've been externally evaluated in terms of your efficiency and value for money?

Almog: In the last year we have conducted an internal evaluation, we have introduced major changes in our expenses policy, and indeed if you look at the travel expense on Slide 3, which was one of our key focuses, for example, we've had significant savings there and we expect to have significant savings again next year. So these are some new expense policies that are definitely rigorously applied. In terms of our office, I don't know if you have ever visited our offices, but we…

Medcraft: I think your offices are a very good justification as to why maybe you don't have enough money. I would agree. I've seen them, and you don't need to convince me on that point. But in terms of both your proposed reserve level and also in respect to your current expenditure, I guess my suggestion would be that you should think about perhaps having somebody externally review what you think you need as reserves. I mean, we all know part of the reason you recruit an external consultant is actually to confirm what you internally think is the case, but I think it is actually a strong way of defending the position you're put in, both in terms of perhaps reserves and what you're spending today. It's just a suggestion. If I was pushing for more money—having a well-recognized external party review both the reserve proposal and also the idea that you don't have enough money, in other words, what you input versus output—I think it's something you may want to consider.

Chair: Are there any more questions?

Elisse Walter: Just a comment on what we also discussed in the Monitoring Board. I would encourage further discussion among the Trustees with the various regulators and standard setters in the specific jurisdictions about the approaches to be taken, because it's my view that, for example, arguments to make the contribution in the United States may differ from arguments elsewhere. So I think some further consultation about that would be quite productive in terms of trying to reach the goal that you're setting. And I will say as well, on behalf of the SEC, that we are committed to working with you to try to resolve these problems in the United States.

Medcraft: Sorry, Masa, I had another question.

Chair: OK, Greg.

Medcraft: In terms of the way you pitch yourself, I think part of the problem a lot of the times… For example, the GDP is the indicator you use to suggest how to allocate contributions, but as far as I'm concerned as to why we should have one set of accounting standards, the biggest driver is actually, frankly, in the capital markets. If you're operating across jurisdictions, essentially having one set of global accounting standards obviously facilitates capital markets, which hopefully facilitates economic growth. I'm just wondering why you shouldn't perhaps think about, rather than using GDP, using the size of capital markets as your indicator, because if you think about America, for example, it's the people in the markets who will really probably have the incentive to use accounting standards as opposed to ordinary people in commerce. So it's really a question of why not use the size of the debt and equity capital market as opposed to GDP.

Chair: I'd like to hear any other questions before we hear the response. Sir Callum, do you have a question?

Sir Callum McCarthy: Yes, Chairman. It's just a comment on the question. I think it is important that everybody should realize the extraordinarily uncomfortable position of any trustee of an organization which has responsibilities over extended areas and which relies on voluntary contributions, when there is clearly enormous potential for political decisions to be made on what is apparently obviously an inequal contribution from different jurisdictions and economies. The question that I have in light of that comment is: is there anybody in the Monitoring Board who fails to understand the deep discomfort that I think the Trustees as a whole properly have about this issue?

Chair: Thank you very much. I will respond to your point later, but can I ask Yael to respond to these questions?

Almog: Yes. First of all, Greg, about your first question, I didn't complete my answer in terms of the expense control that we have. First of all we are subject to an annual external review by the EU because we submit applications for the EU grant. It is a three-year plan but we are subject to an external review every year to continue the grant. They pick any subject they want, and so far we've gone really well with those external reviews. They review things like how we tender and how we auction—any kind of expense on any subject they choose.

The second point is the issue that I mentioned indirectly on head count, it was a very fundamental, strategic decision not to increase our head count in spite of the fact that, as you heard from Hans, the burden in terms of agenda is increasingly high and that it increases all the time. So we need to find creative ways of how to better use staff, of how to better use visiting fellows, all kinds of external arrangements to leverage on what we have and still deliver on time according to the agenda that we have.

So regarding staff, it's a huge effort that we are doing in terms of management of their time, their expertise and how we deal with other provisions. As well as a very elaborate scrutiny on salaries we have an external benchmarking system by which we check and analyze every position in our organization to see what the benchmark is and be careful about not underpaying—because we want to have good people—and not overpaying. Most of the people that do come to the foundation do take a salary cut.

On GDP, in fact, just yesterday, we had an elaborate discussion to revisit the GDP economic indicator as the key indicator to allocate contributions. There were a number of proposals, one of which was market capital as an option, and eventually after close consideration, the Trustees decided to remain loyal to GDP and the reason, particularly with respect to market capital, is first of all the volatility of markets and the fact that we cannot predict—and we need to provide some sort of prediction and certainty to our contributors.

Hoogervorst: We don't like the volatility of fair value.
[Laughter]

Almog: By the way…

Medcraft: I'm sure you could average it out, but anyway…

Almog: There is another issue here, in that we face challenges in the U.S. and we don't want to pick an indicator that will increase our problem, in that sense, it will increase the gap that we will face. We have to be realistic about how effectively we can collect in the U.S. market.

Medcraft: The point I was making—I was really trying to help you—was, in terms of if you're pitching, even to the G20, having a report by McKinsey or Oliver Wyman which actually says this body is fundamentally under-resourced for what its objectives are, can clearly be quite compelling if you're making a case. I'm not really questioning the way you manage the money. I'm saying it's actually a tool to help you achieve your objectives. It's actually what I would do if I was in your situation, because you need something credible, independent, and external to be able to pitch your case.

Prada: That may be a good idea, we need to find some funding to finalize the…
[Laughter]

Medcraft: I will say that sometimes you have to invest money to make money…

Chair: Thank you very much. On Sir Callum's point I can certainly mention that this has been a matter of concern for the Monitoring Board. In fact, in this Governance Review report it is very clearly stated that jurisdictions using IFRSs are strongly encouraged to make their utmost efforts to meet expected obligations based on a certain allocation mechanism. It is only that the Monitoring Board refrained from recommending a specific model of funding, but gave strong encouragement for jurisdictions to make their utmost efforts for the collection of funds. So I think your discomfort and concerns are strongly taken note of and it has been certainly an issue for a while now. Of course, we have to make our best efforts to address the situation, and what the Monitoring Board could immediately offer—I think we discussed it this morning in two respects. One is to actually have more active discussion between Monitoring Board members and the Trustees on this issue on a country-by-country basis and actually develop a certain action plan to approach the relevant bodies and other parties to pursue this effort. The second is to bring the issue to the table of the G20 and FSB, and this can be done, since Greg Medcraft—who just left—and I will be attending the FSB meeting later this month and certainly we can raise that as a matter of strong concern. Those two points we can immediately offer.

On the other hand, there were some suggestions for maybe an external review, some closer scrutiny of the numbers, and also some thought has been given to the indicators. If you could take note of those points and in our next meeting maybe report to us on the progress made on that front, it would be appreciated.

Prada: Well, can I express thanks for your understanding and for your support and the fact that you will draw the attention of the leaders to this issue. This is much appreciated. Obviously we will take stock of what has been said around the table and think about this possible analysis of our functioning by an external body. Finally, we will draft some kind of strategic paper for your information so that things are clearly stated and you can build on something that is well detailed and well presented. Thank you.

Chair: Thank you very much. I'm afraid, and this is entirely my fault, that we are running out of time, but we still have a couple of agenda items and if I may, we will just try to cover them in the remaining five to ten minutes. We are already past our closing time and we are starting to lose some members, but if we can hear a report from Mr. Evans on the progress being made by the Due Process Oversight Committee?

Scott Evans: Thank you. I'm happy to do that and I'll be brief. You have Agenda Paper 6, which outlines the activities of the Due Process Oversight Committee since our last update to you in July.

Our principle occupation, in fact, over these past couple of years has been—under the direction of my predecessor David Sidwell—a total systematic review of the due process procedures, which has culminated in the publishing of a new Due Processes Handbook in February this year. It outlines steps to be followed by the IASB and the Interpretations Committee in an integrated fashion in developing or revising IFRSs or IFRS interpretations. Most importantly it fully incorporates, we believe, the due process enhancements that were called for in the Trustees' Strategy Review as well as in the Monitoring Board's Governance Review. It covers such things as consolidating the due process requirements for both the IASB and the Interpretations Committee, outlining the responsibilities for the Due Process Oversight Committee, and the handling of breaches.

Importantly, with regard to Michel Barnier's comments, is the process that we use in the IASB for assessing the effects of a proposed standard, and we do that on the basis for conclusions of the exposure draft, re-exposure drafts, or new IFRSs.

The new Due Processes Handbook also lays out the research program that the IASB plans to implement over the next several years, and outlines the process for narrow-scope items, which helps make room in the agenda and handle things in the appropriate manner. It deals a lot with the interactions between the Interpretations Committee and the IASB itself, and the process for conducting post-implementation reviews. The IASB is just in the process of its first post-implementation review, and we went through that it detail yesterday with the IASB.

Finally, the Due Processes Handbook details the requirements for outreach activities. As we put this in process we tried to use good due process in suggesting our new procedures, so we made them public, we had a comment period and got 51 comment letters, and the new Due Process Handbook was well received.

However, there were a couple of issues that we wrestled with. One was the Due Process Protocol part of our procedures. It is very prescriptive and has a lot of steps. It looked to many people to be overly bureaucratic—too much of a checking-the-boxes exercise. We clarified in the final draft that this is just a reporting tool. We have no intention to over-bureaucratize the process, yet we want to make sure that there is an understanding of the process and procedures which should be taken as we approach any new IFRS.

The second thing that we wrestled with was the question of public meeting. Should the DPOC, in its dialogue with the IASB, meet in public? We wrestled with that one. We all by definition believe in transparency, but we also believe in candor and being able to have tough meetings where we as the oversight body could be quite strong with the IASB. What we decided was that we would keep the meetings private in order to preserve that candor and the tone of discussion, but that we would have extensive disclosure of the discussions themselves, the issues that were debated, and the conclusions that were reached.

We put this into effect over the last few meetings, and it’s working quite well, I must say. We’ve discussed Financial Instruments, both Impairment and Hedge accounting, and the IASB is getting very close to issuing some adaptations of the IFRS resulting in Hedge accounting, which have been closely followed. We went through that in great detail yesterday.

We’ve discussed Insurance contracts—there has been tremendous work over the years on Insurance contracts, as Hans mentioned. The IASB has done extensive due diligence, including extensive field testing on Insurance contracts, and we’ve spent a lot of time talking to them about that.

Revenue recognition was dealt with as well. One of the things that we’ve emphasized to the IASB is to make sure that they detail all of the activities they have—there is a tremendous amount of outreach that goes on, but it’s not always documented and reported—and we are trying to make sure, as we oversee the process, that we do a better job of documenting and reporting it. It’s already widely available to the public on the website and so forth.

We are satisfied that these matters are being conducting in compliance with the due process procedures. We've had a few suggestions—I mentioned the outreach activities—but things are going rather well. We will continue to do this. There are quite a lot of exposure drafts and re-exposure drafts, and new IFRSs that will be coming out over the next season, and we will be meeting frequently to speak with the IASB about them.

We have also been paying attention, now that we've done revising the Due Process Handbook, to taking up on a more extensive basis our obligation to monitor the effectiveness of the various bodies that the IASB has: consultative groups, and things like the Advisory Council and the Interpretations Committee.

David Sidwell, who is my predecessor, and I have attended several meeting of the Interpretations Committee, Advisory Council, the XBRL committee, for example, to monitor the effectiveness as observers. We just decided yesterday at the DPOC to extend this tradition of visiting the consultative groups once a year to monitor their effectiveness. We have to annually review the competition and make sure there is good dialogue with all appropriate parties.

The final thing I will mention is our obligation to respond to any correspondence we get on concerns about our due process, and I'm happy to report that since our last meeting we haven't received any correspondence. With that all closed, I'd be happy to take any questions.

Chair: Any questions or comments? If not…certainly we appreciate very much the hard work you've been doing and we understand that there is a lot of progress, but we would like to of course encourage further work in making this really a firm pillar of the work of the Foundation all in the spirit of having a proper standard-setting process.
Thank you so much.
Now, we have the profiles project…yes, please…

Almog: You have the papers in front of you containing two examples and it speaks for itself. All I want to add is, first of all, that we hope that this project will help us, as well all our constituents, to better understand how IFRS are applied around the world, and to get very good, reliable information about the status of each country.

We hope that the database in our website will create a credible and very useful tool to learn about and examine IFRS progress around the globe. The one point that I would like to raise is that we are working very hard to make sure that this information that is included in our website is accurate and reliable. For that purpose we have many partners that we want to outreach to help us on a consistent basis, and I specifically want to seek the assistance of IOSCO on that. It is a group that has a lot of accumulated information on that topic and has been helping us quite importantly, but we would further like to reinforce and re-strengthen the relationship around this project. I communicated with Julie Erhardt from the SEC, which chairs C1, to see how we can formally enhance this cooperation on this project.

Chair: Thank you very much.
On this last point, Greg Medcraft has left the room, but Jonathan Bravo from the Secretariat with certainly bring that back. As you mentioned about IOSCO Committee 1, we have been certainly exploring ways of supporting your effort and also to work towards more collaboration. This morning at the Monitoring Board as well there was some interest expressed in terms of taking advantage of this profiles project, and certainly to paying more attention from the official side to what we see on the radar screen, and then of course maybe use this side either as a basis for more collaborative work on funding or on matters of membership of the Monitoring Board, etc. This is extremely useful information that I hope will become available in a very clear form. So we wish you all the best and further encouragement.

Prada: Thank you very much. Do I see flags? Oh, yes, Jeff, please.

Jeffrey Lucy: Thank you, Chairman. In that regard, I'd just like to perhaps emphasize the issue of consistent application. This is something about which we are in dialogue, as you know, with IOSCO, in particular Standing Committee 1, but there is a database and other material that SC 1 has in their armory, and I think it would be particularly thoughtful if we were able to have access to that information.

If I might just make an observation in respect of your press release—where I think you quite appropriately highlight the fact that you have an interest in application of financial reporting standards and indeed the discipline of those, and I guess, the enforcing mechanisms—, it would be useful in further iterations of such a document if the issue of consistent application was perhaps highlighted as an important ideal as well as simply the enforcement of it.

Chair: Thank you very much. That was an extremely important point. We'll certainly take note.
If there are no other comments or questions… well, you have a word…

Prada: Thank you, Masa. Just to mention that, in the public session, this is the last meeting for our good friend Noriaki, who is retiring. We paid tribute to his contribution to this organization, but I wanted to do it in public.

Also, I would like to welcome Heidi Miller, who attended this meeting for the first time. And I thank you, Masa, for your chairmanship and good remarks.

Chair: Thank you. I actually I did have one more remark to make… but can we still applaud our colleagues? [Applause]

Actually, since we have run out of time, the last word that I have for you is that, recently it has been pointed out by our stakeholders that there is ample room for improvement in the transparency of the work of the Monitoring Board, and I can certainly mention that we are strongly committed to transparency.

We will also find a way of speeding up, for example, the publication of transcripts and minutes of meetings. In other respects, we will be exploring means to improve the transparency and accountability of the Monitoring Board as part of the implementation of our Governance Review. So, I'd just like to say that we are firmly committed.

Thank you very much, the meeting is adjourned.