

Report of the Chairman of the Monitoring Board

The Monitoring Board was created in January 2009 with the aim to “provide a formal link between the Trustees and public authorities”, so that the public accountability of the IFRS Foundation would be enhanced.



MASAMICHI KONO
CHAIRMAN
IFRS FOUNDATION MONITORING BOARD

The current governance structure of the IFRS Foundation is laid out in its Constitution. It involves an independent standard-setting body, the IASB, overseen by the Trustees of the IFRS Foundation, who are in turn accountable to a body of public capital markets authorities, the Monitoring Board. This structure is designed to respond to two different objectives: ensuring that the process of standard-setting is independent of undue external pressure so as to promote investor confidence in the objectiveness of the standards; and also to secure public accountability of the standard-setter, so as to make it answerable to affected parties.

To accomplish its mission, the Monitoring Board, which consists of capital markets authorities responsible

for setting the form and content of financial reporting, meets regularly with the IFRS Foundation Trustees and serves as a mechanism for formal interaction between the capital markets authorities and the IFRS Foundation. This mechanism is intended to facilitate the ability of capital market authorities that use IFRSs in their jurisdictions to effectively discharge their mandates relating to investor protection, market integrity and capital formation.

A major recent achievement of the Monitoring Board was the publication of the final report regarding the review of the IFRS Foundation’s governance in February 2012 (the Governance Review). This report was the result of a review undertaken by the Monitoring Board since 2010 of the IFRS Foundation’s governance arrangements. The fundamental question was whether the existing governance arrangements effectively promote the mission of the IASB in developing high quality, global accounting standards, which should be assessed against the two essential attributes required of the standard-setting process: accountability and independence. This Governance Review was conducted in parallel with the Strategy Review undertaken by the Trustees of the IFRS Foundation.

This final report identified a number of enhancements to the governance framework of the IFRS Foundation, and

included an action plan for their implementation. A key decision was to expand the Monitoring Board’s membership to include additional authorities primarily from major emerging markets (a maximum of four, and not necessarily all added immediately) and also to establish a mechanism to allocate two rotating seats in consultation with the International Organization of Securities Commissions (IOSCO). Another decision was to enhance the visibility and transparency of the Monitoring Board.

In line with this action plan, the Monitoring Board has now commenced a process for selecting new members in accordance with the Monitoring Board membership criteria, and also for assessing existing members against those criteria. This work is scheduled to be completed in 2013. Measures to enhance visibility and transparency of the Monitoring Board will be developed and implemented as soon as practicable.

As efforts toward developing a single set of high quality, global accounting standards continue, the Monitoring Board will be expected to play a greater role in ensuring proper governance over the standard-setting process at the IFRS Foundation. This year will be critical in our efforts towards meeting this challenge.

河野正道

Masamichi Kono
Chairman
IFRS Foundation Monitoring Board