

Report of the Chair of the Monitoring Board



MASAMICHI KONO
CHAIR
IFRS FOUNDATION
MONITORING BOARD

The Monitoring Board was created in 2009 to provide a formal link between the IFRS Foundation and the capital market authorities responsible for determining the form and content of financial reporting standards used in their jurisdictions.¹ The mission of the Monitoring Board is to provide official oversight of the governance and due process applied to the IFRS Foundation's standard-setting activities through regular monitoring and timely interactions with the Trustees of the IFRS Foundation ('the Trustees').

In February 2012, the Monitoring Board completed and issued a report containing recommendations to improve the governance of the IFRS Foundation, entitled the 'Final Report on the Review of the IFRS Foundation's Governance' ('Governance Review'). The purpose of the Governance Review was to assess whether the IFRS Foundation's governance arrangements promoted the primary mission of the International Accounting Standards Board (IASB) in developing high quality, understandable, enforceable and globally accepted accounting standards, and provided for both the accountability and independence of the IASB. The recommendations contained proposals for taking a number of practical steps to enhance the governance framework of the IFRS Foundation, thereby strengthening the accountability of the IASB whilst preserving its independence. Recommendations were laid out for improving the composition and the respective roles and responsibilities of the Monitoring Board, the Trustees and the IASB.

Since 2012, the Monitoring Board has been engaged in implementing the recommendations of this Governance Review. Measures to expand the membership of the Monitoring Board, primarily to include major emerging market authorities, have been implemented or are under way, as well as measures to enhance the transparency of the Monitoring Board's activities in monitoring the governance of the IFRS Foundation and ensuring due process.

One important issue raised in the Governance Review was the importance of securing stable and sufficient funding for the IFRS Foundation. While the Trustees retain primary responsibility for the funding of the IFRS Foundation, the Monitoring Board has been overseeing their performance and encouraging efforts made in jurisdictions to make sufficient funding contributions.

During 2014, the Monitoring Board and the Trustees continued to consult with each other on this issue. Despite the growing importance of their capital markets, a number of jurisdictions using IFRS have yet to establish durable funding arrangements in support of the IFRS Foundation, while other jurisdictions have fallen short of expectations on the basis of the size of their economy and the importance of their capital markets. The Monitoring Board has called upon the relevant authorities to look into this matter, encouraging jurisdictions benefiting from IFRS to make their utmost efforts to contribute on a proportionate basis towards the operating costs of the IFRS Foundation, while leaving the actual mechanisms for them to decide.

¹ The Monitoring Board consists of representatives of the Board of the International Organization of Securities Commissions (IOSCO), the IOSCO Growth and Emerging Markets Committee, the European Commission, the Financial Services Agency of Japan (JFSA), the Securities and Exchange Commission (SEC) of the United States, the Comissão de Valores Mobiliários (CVM) of Brazil, and the Financial Services Commission (FSC) of the Republic of Korea. The Basel Committee on Banking Supervision is an observer.

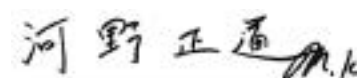
Another key issue raised in the Governance Review was the importance of ensuring due process and transparency in the interactions between the IFRS Foundation's Trustees and the Monitoring Board. This is particularly important in enhancing the accountability of the standard-setter while preserving its independence in an appropriate manner. For example, the Monitoring Board will also ensure transparency and due process if it decides to refer issues to the IASB for consideration (sometimes called 'agenda referral').

Pursuant to the IFRS Foundation *Constitution*, the Monitoring Board has a formal role in approving the appointment of the Trustees and, in the course of performing this role, will pay close attention to issues such as the need to ensure an appropriate composition of the Trustees, and that of the IASB.

The agreed set of membership criteria for the Monitoring Board includes a commitment to move towards the application of IFRS and promoting global acceptance of a single set of high quality international accounting standards as the final goal.² For the existing members, this entails a periodic assessment of the continued eligibility of each member. This assessment is crucial in ensuring the legitimacy and accountability of the Monitoring Board as the oversight body of the IFRS Foundation.

Most recently, the Monitoring Board reappointed this Chair for another term of two years in February 2015. It is an honour, but even more, a great challenge requiring continuous hard effort. The broad and increasing use of IFRS around the world, and the commensurate greater interest of global stakeholders in the development and consistent application of IFRS would entail an even stronger need to ensure high standards of governance and due process in the standard-setting activities of the IFRS Foundation. Fair and consistent implementation of the Standards is becoming a focus of attention. The Monitoring Board will carefully monitor any needs for further enhancements to the governance and transparency of the IFRS Foundation and will take steps as appropriate. It is a journey towards a higher common goal and, in the course of this journey, we need the full support of all of the global stakeholders in accounting.

In order to work towards the longer-term goal of achieving a single set of high quality international accounting standards in the interest of stakeholders worldwide, establishing a globally accountable and independent governance framework at the IFRS Foundation is crucial. The Monitoring Board will continue to do its best to ensure that the governance framework of the IFRS Foundation meets the highest standards required of a global standard-setter.



Masamichi Kono
Chair
IFRS Foundation Monitoring Board

² The following is an excerpt from the Monitoring Board's membership criteria: 'The jurisdiction has made a clear commitment to moving towards application of IFRS and promoting global acceptance of a single set of high quality international accounting standards as the final goal. This commitment is evidenced by the jurisdiction mandating or permitting application of IFRS to consolidated financial statements of companies raising capital in its relevant market with the effect of actually exhibiting prominence of IFRS application, or having made a decision on a transition to such a status to take place in a reasonable period of time.'