

# **Monitoring Board and IFRSF Trustees Meeting**

**(Transcript)**

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Venue: New York

## **Public Session Monitoring Board – Trustees**

Mr. Masamichi Kono: Good afternoon ladies and gentlemen. I would like now to start this meeting between the Monitoring Board and the Trustees of the IFRS Foundation. This is a public session.

First, of course, I have to mention that I am Acting Chair of the Monitoring Board to fill the gap in the meantime since our previous Chair had to leave office. I am in the capacity of the Vice-Chair of the IOSCO Technical Committee and I would like to thank you all for coming to this meeting. I would like to be as efficient as possible with your cooperation.

We have five items on our agenda. The first item being a report from the Monitoring Board and the operations of the Monitoring Board; second, developments and achievements since the last meeting that we had amongst ourselves with reports from the IFRS Foundation; third item, the budget for 2011, and the financing strategy; fourth item, strategy plan post-completion MoU projects, that is, after the IASB completes the MoU projects, what is the planning of the strategy; and any other business.

So without further ado, I would like to go into the first item but I would also like to first invite Mr. Tommaso Padoa-Schioppa to mention a few words.

Mr. Tommaso Padoa-Schioppa: Thank you, Chairman. I just say a few words as a way of introduction to the discussion and also apologize for the fact that I will not be able to attend, in full, this public session. Let me first say that we, Trustees, welcome this meeting with the Monitoring Board. I personally welcome the innovation that I have found taking again the Chair of the Board of Trustees after about five years consisting in the creation of the Monitoring Board which as you know, did not exist at the origin and was created in my view, very important improvement on the overall governance structure of the institution providing more accountability and greater legitimacy to the work of the institution.

Both the Monitoring Board and the Board of Trustees are now engaged in a review of the activity of the institution that will develop in the coming months. The two reviews will be done in close consultation and in fact, the meeting of today is largely focusing on our respecting reviews.

So, I can, just in a couple of minutes, summarize the way we see this review as far as we Trustees are concerned. We consider that the time horizon for the review should be the next decade, the second decade of the institution. This will be a decade in which the extraordinary success in creating a full set of standards and making them adopted by more than 130 countries will have to be consolidated and reach the point in which the objective of high quality global standards that are set by the G20 will be fully achieved.

To do that, it is important to win on three fronts which are the quality of the standards, the adoption by countries which have not yet adopted them, and serve the improvement in the governance. And I think that all the three items are subject for the joint meetings of the Monitoring Board and the Board of Trustees.

On the adoption, we are conscious of the fact that decisions will be taken in 2012 and 2011 respectively by Japan and by the United States. On the quality, we are aware of the lessons that need to be drawn from the crisis in the area of accounting standards. On the governance, we are aware of the fact that the high quality and independence of the institution has to be complemented with a fully satisfactory accountability and legitimacy to the Monitoring Board in a broader sense.

My sense is that the relationship between the Monitoring Board and the Trustees is extremely positive and shows a great deal of agreement on the need to be successful in meeting this various challenges. Thank you very much.

Mr. Masamichi Kono: Thank you very much. Mr. Barnier?

Mr. Michel Barnier: Thank you, Mr. Chairman. Well, I am not sure to be present the whole time during this meeting. I will just say a few words. First, let me start by thanking Hans Hoogervorst for his work as Chairman of our Monitoring Board and to wish Tommaso Padoa-Schioppa for his success in his mission and thank him also in the name of the European Union for his pro-activity.

I would like also to congratulate Hans and Mackintosh on their new post as IASB Chairman and Vice Chairman; did a good choice and I can tell you they have the full support of the whole Monitoring Board. I think it is very important that at the end of the point you stressed, Tommaso, for his confidence between the Board of Trustees and the members of the Monitoring Board.

We may come back later, Mr. Chairman, on the individual subject of the agenda but please allow me to outline my main thoughts on the subjects we are going to discuss. First and very shortly, number one, governance and accountability. The process should be fully developed because not to undermine the IASB's independence—never. I should not prejudge the results of the Monitoring Board's ongoing Governance Review but we welcome the Strategy Review started by the Trustees.

Number two, we must ensure stable funding from all jurisdictions. The European Union has already taken important steps to support the IASB budgets and go on and apply to see on what condition we will be able to make additional efforts, and at the same time learn new jurisdictions.

Number three, after 2011, we may need to reduce the intensity of the standard-setting activity. We have to ensure the quality of the standards and stability on legal certainty. It is important for all stakeholders. In this context, we need to become much better at cost benefit analysis ex-ante but also with regard to evaluation ex-post.

Finally, I want to turn on all these topics as well as others. I want to confirm their constructive spirit of the European Union to pursue and to succeed in this convergence strategy between us.

Mr. Masamichi Kono: Thank you very much. And if you would allow me, I would also like to lend my voice to the previous speakers in appreciating the great progress that has been made with regard to the work program. On the other hand, we also recognize that a lot more needs to be done and under very tight timeline and also with the question of how much resources the Foundation can devote to the multiple work streams that are underway.

The Monitoring Board also would like to express its particular interest in the question of due process and that in each of the projects being undertaken, due process is followed and also improvements made in order to better assess the impact of those changes on economic agents and also particular industries.

We will also appreciate the IASB working on new areas where there is certain priority identified either by legislators or by regulators. That way we would like to see timely consideration of those issues as we go along and we would certainly like to have even closer communication between your body and the Monitoring Board.

Now, under this first agenda item, I would like to report on a project that the Monitoring Board itself is undertaking in terms of improving the governance of the IFRS Foundation and for that matter, the entire standard-setting process. And today, I do not have any written report before you. But we are in the process of preparing a report that should be sent out for public consultation either at the end of this year or early next year.

There is a Working Group created under the Monitoring Board to undertake this project and the project has two pillars. One being a consideration of improving the overall governance model with respect to the Foundation and then the entire standard-setting process, the other being a review and a possible extension or improvement of the composition of the Monitoring Board in terms of the various jurisdictions and also the variety of authorities represented in the Monitoring Board.

This review is considered as essential in enhancing the credibility of the standard-setting process and a proper review of that process by the Monitoring Board, as the IFRS is being either adopted or applied in a greater number of countries as it is becoming a truly international standard.

So the objective of this Governance Review is to ensure that the Monitoring Board calls for appropriate representation of relevant authorities, and then enables the Monitoring Board to be overseeing the activities of the IASB so that those activities are conducted in a sufficiently transparent and accountable manner, and engages in those, and proper involvement of all the relevant stakeholders in the standard setting and standard collaboration process while paying due attention to the need to ensure that the independent standard-setting process of the IASB is not in any way infringed or undermined.

So this is what we are doing at this moment in terms of Governance Review at the Monitoring Board. Now, with respect to another point that I should be reporting on, it is in appointment of Trustees.

So we have, as a Monitoring Board, approved the appointment of Chairman Tommaso Padoa-Schioppa as of the 18th of June, Mr. Robert Glauber and Mr. Tsuguoki Fujinuma as Vice Chairs of the Board of Trustees as of the 17th of May, and most recently we

have approved the appointment of Mr. Duck-Koo Chung of Korea as of the 12th of October.

So this is a very concise report of recent activities of the Monitoring Board and in the interest of time, I would like to now immediately go on to the next subject in which we will be hearing reports from the Foundation in regard to their work and also the Strategy Review and some information on the nomination of Trustees for the Foundation. So may I give you the floor now?

Mr. Sam Di Piazza: Yes, thank you, Mr. Chairman. In Tommaso's absence, he asked that I carry us through this part of the agenda. So we will start with a discussion of the convergence and adoption process and as I ask Sir David Tweedie to give us a summary, I focus the Monitoring Board on the fact that much of the dialogue is about the convergence process that has led us in the path of alignment between the IFRS and US GAAP and the process working with the FASB.

In fact, the adoption process is very positive all around the world and so I would ask Sir David not only to talk about the FASB process but even before that, the significant adoption process that we have followed.

Sir David Tweedie: Thank you. As Tommaso said, about 120, 130 countries already permit or require the use of IFRS. The next two years are going to be very important in the sense that the major Asian economies have moved toward IFRS. Next year, India and Japan complete their convergence program with those. In Japan, as Tommaso mentioned, will be making a decision in 2012 about full adoption.

Korea will be adopting next year as well as Canada and Argentina. The following year, Indonesia, Singapore, Malaysia, Mexico, Nigeria, Taiwan are all going to adopt. The movement towards IFRS in these countries has led pressure to the Board in the sense that we are hearing that these countries really want us to complete our present work program by mid-2011 so that they do not have to change twice, and we are very aware of that.

The G20, of course, after the financial crisis had asked that we have completed our Memorandum of Understanding projects by 2011. We have also in the middle of next year the likelihood of four new Board members who will not be very familiar with some

of these subjects and would take time to get up to speed so there is another incentive to try and finish by mid-2011.

And of course, the SEC will make a decision next year which the convergence will be a part of the decision. I would like just to mention that we had a very successful meeting with the FASB last week. We have agreed that the important thing about our work is to complete the critical projects that we identified last June by June of next year.

So our priority is going to be the Memorandum of Understanding subjects. We are going to not stop working but not bring subjects to either Boards that really do not affect the Memorandum of Understanding. So it is a case of, if it is not in the Memorandum of Understanding, it is postponed.

What we are doing as far as the nine Memorandum of Understanding subjects is that two of them, which we said we will try and finish towards the end of 2011, we are not going to take any chances that they may jeopardize finishing what we call the priority subjects. So we will not be bringing them back to the Board by June. So there will be no exposure draft in the first half year.

We still have to set this over in a formal document with FASB but this is just a thrust of the discussions that we have had. Financial statement presentation, it is very controversial and we feel both Boards have a lot more work in this one. We may just do parts of it but we will examine it in great detail but really, the examination will take place after June.

Liability, equity, the Boards are roughly in the similar sort of position but there is an inclination to move towards our standard which is by no means perfect and does require some additions. We are not under pressure to change it at the moment and there are issues to be looked at in the United States about how it would apply in certain situations. So again, that one which we have already decided to defer will not be brought to the Boards before June.

The other areas, there are seven remaining, and I just want to very quickly run through the seven other items on the Memorandum of Understanding, and in particular, I would like to emphasize that the press reports that the convergence program is disintegrating, it is not going to happen, are really all based on one standard which is financial insurance.

And as I will explain, the Boards are still determined to bring that to a converged solution if at all possible.

Of the seven, the recognition, we were going to try and simplify our standard. We heard it worked pretty well in the crisis. The FASB have removed the major difference which was the qualifying special purpose entities. They have now to consolidate these. And we have adopted FASB's superior disclosure requirement. So as far as we are concerned, the two Boards are pretty close on this one and we believe that one is completed.

Consolidation, the main problem is being special purpose entities and the Boards have come down to a united position on that. On the voting interest entities, the normal type of subsidiary, under IFRS and under most of the world, if you control a subsidiary, you consolidate, and United States, you have the 50% plus one of the equity. That is going to be a big jump for the United States. And the FASB are going to explore that at roundtables next month. We will be present at those roundtables. We have a standard already to be published. If there are any fatal flaws that emerge in the roundtables, clearly we will have to look at our draft standard.

But otherwise, we expect to publish that this quarter. So that leaves five. Fair valued measurements, the Boards are unanimous on that one. We adopted the United States proposals and made a few changes which FASB agreed with and put out for comment. We expect we will try and finalize that word-for-word next February.

Pensions, we are moving closer to the United States by getting rid of all the smoothing devices that exist at the moment. So that leaves us just three big ones which are revenue recognition which the Board has voted through unanimously. We do have problems with particular industries and we are actively seeking comments from them at the moment and making sure we get this standard completed in time.

Leases, the Boards were unanimous on the lessee proposals where we still have controversies there which we may have to amend accounting, but the Board trust of it will be there. Lessors, we did not quite agree but we have asked enough questions to help us make our minds up about how we should move in the future.

And the final one, of course, is financial instruments, where the FASB went more for a full fair-value model and we went for a mixed model which has been quite well-supported, already accepted by Japan, Australia, Hong Kong, South Africa. Today,



we published the liability side of that which really just removed the gain or loan-loss on credit which has been a major loss of contention in the crisis. Otherwise, we left the liability side alone.

We are working on hedging, a completely different [*Inaudible*] and FASB are watching this one because they are busy with their main standard but they will obviously get involved at a later stage. We are completely redoing the hedging rules to make it easier to have accounting more in line with actually what happens, what the hedging is, and providing where the hedge does not work, we make sure that the ineffective part of it goes with the profit and loss account.

We think this is going to be a major change in accounting and one which certainly non-financial companies will welcome. So of the seven subjects that we are looking at, we think we may have a slight problem with putting interest entities on consolidation. We are really going to try and get together on lessors but that may be slightly difficult.

On financial instruments on impairment, we are going to have three days of meetings next month to try and make sure that loan-loss provisioning on the US GAAP and IFRS are the same. We will expose the results of that.

So we are really trying to pull all these together. I think we have a fair chance of just considerable part of financial instruments standard actually being converged. On the other issues and very rapidly, I would like to remind people of the convergence program and what actually has happened apart from the Memorandum of Understanding subjects.

Business combination which was the first one we completed of the MoU, we are completely aligned on that. Segments were aligned, capitalization of interests were aligned. Share auctions again were aligned, discontinued activities were aligned, joint ventures and fair value option, slight differences there but broadly, the thrust of it is there. All of these have happened since we started our convergence program.

Given that our standards are often based on those of the United States and all these changes that I have just mentioned, two things have happened. One is that the two sets of standards have come very close together. We will not get exactly the same answers but we will certainly be in the same sort of area.

And secondly, I think under both sets of standards, there have been vast improvements aided by the other Board. And that really was the whole objective of the convergence program. So any comments that this has not worked, I think it has made a great change to both of us.

That is a very broad indication. One last point, we have together with FASB issued a statement saying when would you like the standards to come into effect, assuming we finish them all and even though the next effective dates for certain standards, maybe we have to push them further out. Do people want them in batches? Do they want them singly or once? How do they want us to do this? And finally, we are going to expose, on the IASB side, a list of subjects that people have asked us to look at to get views on what the agenda posed the MoU project.

Mr. Masamichi Kono: Thank you, David. Are there are any questions or comments from the members?

Mr. Sam Di Piazza: I would only add, Mr. Chairman, that the Trustees are working very closely with the FAF, the oversight body of the FASB. The Trustees are also very sensitive to the importance of convergence today given all the changes of 2011, but the Trustees also understand that convergence is not an end of itself. The end is ultimate adoption and so we continue to focus on what it takes to take us to full adoption. That is our mission, our standard, and that is where we are headed. I would then turn to the discussion of our Strategy Review.

I think Tommaso summarized our own Strategy Review fairly well. I will add just a few comments to that, Mr. Chairman. One, that the Strategy Review is really focused on four elements on a discussion of our mission, a discussion of the governance, a discussion of our processes, and finally a discussion of our financing. Our objective is to complete a drafting of that process over the next few months, public discussion, exposure, and a completion of our work before the early summer so that this can be fully discussed and exposed before the 2011 decisions are made.

We will be working very closely with you at the Monitoring Board. We want your input in this process and of course, we will take your advice as a result of your own work in our work.

Mr. Masamichi Kono: Thank you Mr. Sam Di Piazza.

Mr. Michel Barnier: Just one minute because I am going to leave in a few minutes and I do not want to repeat the three points I stressed which we are willing to work with you in the spirit of confidence as expressed. I just want to thank you and Sir David for his report and for his work.

Sir David Tweedie: Thank you very much.

Mr. Sam Di Piazza: Thank you very much. With respect to Trustee nominations, we acknowledge that you have already renewed Pedro Malan and Jeff Lucy, our colleague here from Australia, and our new Korean Trustee, but I will ask Sir Bryan Nicholson to give you an update quickly of the activities around Trustee nominations.

Sir Bryan Nicholson: Thank you very much, Sam. Well, the report I am giving today will be brief as all members of the Monitoring Board know, this process we handled to an agreed process with yourselves and of course, as it continues, and I shall make certain that you are kept fully involved and know exactly what is happening through the process. We note your helpful input on the question of regional balance.

We have had the appointment of the new Trustee from Korea and we note that we will now be looking, are now in the process of searching within Europe. We also have taken on board your recommendation in relation to the European Union that there should be no national flags.

So we have some candidates who are in the process of looking at. You know who they are and we will make certain your advice at each step of the way what is happening there and also what is happening as we broaden our search for one of them more widely across Europe. So that process will continue over the next couple of months, hopefully being brought to a conclusion then, with candidates who we can put forward to you, you will know about and we will be able to hopefully take [*Inaudible*].

Mr. Masamichi Kono: Thank you very much. Before we are going to the budget, let me reiterate one point and also echo what you have just mentioned in that, first on the convergence and other aspects of the work program, we fully agree that convergence is not an end on its own.

The G20 also has more globally-consistent high-quality standards and we should be putting our best efforts to achieve that goal. And the Governance Review, of course, we appreciate your willingness to work with us in the context of your Strategy Review. We do need to work closely on that and hopefully we will come up with some concrete proposals to improve the governance of the standards-setting process.

Thank you very much. And may I, if there are no other comments or questions, let us turn to the budget and can we ask you, Mr. Di Piazza?

Mr. Sam Di Piazza: Before I turn it to Tom Seidenstein for some comments around the budget, I would note to the Monitoring Board that the Trustees absolutely understand the requirements for a stable financing for the Board and in fact I have made dramatic improvements over the past four or five years moving from a substantially voluntary contribution process around the world to a position where allocated requests are made by country.

Many countries and regions have begun to put in a stable mandatory funding led by, of course, the European Union but including many other countries around the world, and in fact, have given us a very solid base of financing. The transition that we are in today is the increased requirements as we reach 2011 and the convergence which has required increased resources.

Also the transition from voluntary to stable government support does at times produce a few bumps in the process and so we have run a deficit in 2010 and we are working hard to avoid a deficit in our budgeting for 2011 and we are doing that with the objective that two years of deficits are unacceptable and so our 2011 looks to do two things. One; enhance the contributions, both voluntary and otherwise around the world and in 2011 look very hard at costs that can be deferred. In fact some of the processes that even David referred to limiting scope of budget and so forth are to avoid adding significant additional costs. We are very stable and flat in fact and locking down in many places in our cross lines. So Tom, you want to give a quick summary of the costs.

Mr. Tom Seidenstein: I think, Sam, you summarized that position, general position well. The Monitoring Board understood this year that we went into this year with a potential of having a deficit between 1.75 million pounds and 2 million pounds and that we have been able to contain some cost at the year and expand some savings but that is about where we will end up for this year.

The basic financial conundrum we face is that if we do not increase our, because of the increased resources we have added after consultation, Trustees and the Monitoring Board, one rate of that without growth of revenues and in some instances, with a decline in revenues due to new regimes coming into place, will produce a deficit even greater than the two million pounds of this year and that explains why Sam was saying we plan on taking some actions both on the revenue and on the expenditure side with the aim of getting to a balanced position over time.

We are, in many areas, optimistic that we are finalized and financing arrangements that will not only be stable, but fulfill each jurisdiction's proportional contribution and when I say proportional contribution, that is based upon a proportion of our budget related to their GDP figures.

A number of efforts are under way. A number of efforts are continuing including the United States but we are also working with Israel, and a number of economies in the Asia Pacific region. Our Asia Oceania Trustees are working together. In fairness to those countries not contributing yet, many of them have not been formally asked in the proper manner.

We would appreciate the Monitoring Board's assistance asking the capital market authorities to those jurisdictions or with relationships with other capital market authorities to facilitate financing. As I said, in terms of our expenditure side, we are committed to holding costs down in a pragmatic way without undermining the ability to achieve the MoU targets on the technical work program. So this includes full benchmarking of salaries, considered expansion of the Board, we have to expand to sixteen members over time by 2012.

I think the Trustees recognized the need to do that but also understand the financial impact of that decision, and eliminated discretionary optional expenditures that do not contribute to the stakeholder engagement process but one thing that we have heard is that how important it is to go out to meet stakeholders, not just in Europe, not just the United States where there is interest there, but to go out to the general stakeholder community in all the continents of the world, and we are focusing on that in an intensive manner these days.

And any reduction in travel expenses of a significant variety would limit our ability to do stakeholder engagements. So we will be smarter about it. We will save costs when necessary but there is not huge room for savings in that line so with that, I am happy to answer questions.

Mr. Masamichi Kono: Thank you Tom. Actually given the importance of the accounting standards of public groups or public infrastructure for the global capital market and also the tremendously heavy workload that has been put on the Monitoring Board and the Foundation, the state of the budget that we have just heard is quite worrying and also I suppose we will need urgent and comprehensive action to address the situation and I would like to mention that the Monitoring Board is willing to look further into this matter and do what it can in its capacity to also support efforts to remedy the situation in the short term, and also in the longer term go for a more stable, sustainable funding structure.

Are there any comments, questions? In that case we would like to take note of your explanation and also the efforts being made and would certainly like to encourage and work together to improve the situation. And I can then turn to strategy planning after the completion of the MoU projects.

Mr. Sam Di Piazza: And again, I will turn to David in just a second with respect to that. Clearly it has been an important part of the Trustees' focus. We recognize the energy that has been placed into the convergence process, the roadmap for the last several years. But as we have said to you, we feel that that journey, at some points, needs to go from convergence to a stable platform of an agenda.

And so we have been already into the process through the various advisory groups, the IFRS Advisory Council and others, receiving input on what the agenda should look like post-2011. So David, would you like to summarize those?

Sir David Tweedie: Thanks Sam. Looking at some of our standards, they are fairly old and really do require some revision. For example, some of them are very complicated. The Share Base Payment Standard which is very well identical to that of the FASB, we fully agree with the thrust of it but it is quite hard to implement. Can we do something to simplify that?

Income taxes which I often say was written at an FASB Christmas Party and when they sobered up, somebody had published it. This is one way that we do feel needs a complete revision and I am very sad that I had gone before I could abolish the thing. Many standards are relics of the past.

Associates, why should you take twenty percent of a company's profits just because you have twenty percent of its equity? This was to deal with off balance sheets subsidiaries but we have dealt with that in a different way. There is a whole list of subjects which are very similar to the FASB standards and we really need to look and see how we modernize these particular standards.

At the same time, there are two other areas coming into effect. One, we promised that two years after we bring the standard into effect, we will look at the impact it has had. This is not an impact assessment as such; it is ex post, as the Commissioner said. We have a couple of those coming up. We will be asking the national standard-setters on the particular problems: business companies and segments are the two I am thinking about.

We pressure to do other areas: extractive industries, common control, and a disclosure framework which I personally think is very important because financial reports are getting bigger and bigger. We have never had time to go back and look and see what can we do about clearing out redundant disclosures and having a more principle based disclosure package. FASB agrees with that, EFRAG and Europe agrees with that too.

The only problem is we cannot do all these. So it is a question of priorities and we will be issuing a document in the next few weeks going through these things and asking what exactly we have to do. Big projects, but perhaps some smaller ones, Zarinah, the rubber trees in Malaysia. We hear about this every time I go there but the problems were coming from rubber trees. We do understand the problem and we think there is a difficulty with the standard and we have to fix it but perhaps you get three or four smaller projects tightly focused but we will be asking the outside financial community and clearly that is something we bring back to discuss with the Trustees and Advisory Council and so on.

This will be the session I think my successor should share this because I would want to get my own public horses and set them galloping madly around the room but I think there is probably a time for somebody else to choose what he wants to do in the future.

Mr. Masamichi Kono: Thank you very much and of course we are all appreciative of your leadership during those years.

Mr. Katsunori Mikuniya: Thank you Chairman, Mr. Kono. Concerning that the IASB will complete so many important revisions in the course of the MoU project with the FASB, the IASB should focus its efforts on the smooth implementation of the IFRS around the world.

While the IASB may need to continue its work of making necessary revisions, it should refrain from conducting the revisions too frequently in order to avoid confusion among preparers and the investors. And to secure a globally consistent application and appropriate enforcement of IFRS, I expect the IASB and the Foundation to also extend support at the implementation level by providing more interpretations and guidance from the IFRS Interpretation Committee.

In order to recognize potential problems for implementations of IFRS, it is important for the IASB to collect information from those jurisdictions that have already adopted IFRS and to share it and further discuss it with those jurisdictions that are planning to apply IFRS in the future.

Mr. Sam Di Piazza: Thank you. So Chairman, I would just simply add to what has been said that the new Constitution that was adopted a few years ago requires a three-year annual or three-year public discussion of the agenda and that would be something the Trustees will be faithful to because we do recognize that revisions and actions, too often, simply overburden the system, so we understand that has to be a public discussion.

Mr. Masamichi Kono: Thank you very much. I think many stakeholders will be finding some breathing space in what was mentioned but if I heard correctly, accounting will still be an exciting subject in the years to come. Are there any other comments, questions?

Sir David Tweedie: Mr. Chairman, I would like to mention just two other things if I may. First, a lot of the focus of the Trustees over the last several years has been enhancing due process and we have a full Committee that spends its time focused on assessing the due process that the IASB follows and our Chairman of that Committee is here.



I would like him at least to point out to the Monitoring Board some of the enhancements that have been made and may be a source that can help you better understand the processes we have. Antonio?

Mr. Antonio Vegezzi: Yes, thanks. At our last meeting in April in London, I reported to you the last project that we have conducted of the IFRS Foundation on the improvement of the due process. I mentioned to you that we have been working on assessing the effectiveness of the Working Groups, of the Standard Advisory Council, of the Interpretation Committee.

I also reported to you that we have been working with IASB to issue a feedback statement that would be an additional step to our due process. In the past few months, we have embarked on a full review of our due process. The review will be done on a sort of benchmarking/best practice approach.

Our due process and all the processes, all the protocols around our due process, are meant to support three fundamental concepts: the procedural transparency; the inclusiveness, meaning the willingness and capability to reach out to key constituents; and as a third element, what we call the notice and comment, the capability to collect feedback and disclose this feedback into a feedback statement. The project will entail, basically, two types of actions.

The very first one will be purely a benchmarking exercise. We identify the number of organizations that are either standard-setters or global organizations that have an activity to some extent as the very same challenges in scope of our organization. With those organizations, we are really sitting down and basically conducting reviews on a step-by-step basis and the idea is to come up with the best practice approach and validate our due process.

The second step is to request feedback and input on a very wide basis on our due process from the different stakeholders. I think the idea is to have a sense and not only how well we do things in the due process area, but what is the perception out there which is extremely important.

To that extent, and Chairman, we had a brief discussion a few minutes ago during the break. If the Monitoring Board, as a group or different members of the Monitoring Board individually, has any suggestion as to the organization we should compare with

that are not in our list, we are willing to listen to them or if they have any insight or view on our due process, we are really interested to listen to them. For your information, we have started a conversation, here I have my successor, but he is going to do the project with FASB. And the comparison methods, we will continue and we will pick up a couple of additional meetings in our meeting tomorrow with IFAC. And so the project will continue over the next very few months. And we will report back to you on the outcome. Thanks.

Mr. Sam Di Piazza: Thank you Antonio and the only other point I would like to acknowledge is that since our last meeting, as you know very well, we have completed our selection of Chairman and Vice Chairman and just as a summary, first to thank Mr. Bryan Nicholson for leading that effort. It took well over a year.

We touched over two hundred organizations in our search for the candidates. We considered well over a hundred individuals over the process. We interviewed many of them and we feel that our decision made in Korea of Hans Hoogervorst as Chairman and Ian Macintosh as Vice-Chairman is a very significant addition.

In some respects, we may be acknowledging that it takes two people to replace David Tweedie and we will certainly miss David at the end of this term in June but we are very pleased and I think the Trustees made a decision, it was a unanimous decision for these two appointments and we appreciate the input that the Monitoring Board gave us in that process.

Mr. Masamichi Kono: Thank you very much and I would just like to mention that the Monitoring Board fully supports your decision while of course, being mindful that there needs to be an independent, impartial selection process, but also with the capacity of the Monitoring Board being able to consult, or be consulted as necessary.

On due process, actually I already mentioned earlier that the Monitoring Board is very much interested in not just due process in abstract terms, but also in the actual implementation, particularly with regard to revisions or additions to standards that matter very much to particular industries or to economies as a whole, and so we would certainly like to have intensive communication with you and we look forward to the outcome of your work but also continued and further communication with you on the project itself.

Thank you. Now, is there anything that you would like to mention? I think we are basically through with our agenda items. We now have any other business.

There may be some items that I have missed but if not, thank you again for devoting your time to this meeting and certainly we look forward to further intensive dialogue and cooperation with the common goal of hopefully achieving consistent, high quality standards under the all important principles of how do we gain transparency and with that, I wish you a nice trip back home. Thank you very much.