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BANK FOR INTERNATIONAL SETTLEMENTS

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The IFRS Foundation Monitoring Board
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Consultative Report on the Review of the International Financial Reporting Standards Foundation's Governance

Dear Mr Kono

The Basel Committee welcomes the opportunity to comment on the IFRS Foundation Monitoring Board's comprehensive review of the IFRS Foundation's Governance. The Committee has a strong interest in high quality financial reporting by banking organisations and strongly believes that governance issues are critical when developing financial reporting standards in the public interest.

We have carefully considered the Monitoring Board's Review and offer the following general comments:

1. The Committee is supportive of an independent International Accounting Standards Board and considers the Board's independence as a prerequisite for setting accounting standards of the highest quality. We also believe the current governance of the IFRS Foundation organised in three tiers – the Monitoring Board, the IFRS Foundation Trustees and the IASB – is appropriate. However, as indicated in our comment letter to the Trustees in relation to their Strategy Review, we believe that the governance of the IFRS Foundation could be improved: we believe the standard-setting process could be strengthened if the Trustees serve the crucial role of integrating feedback about the “public interest” from the Monitoring Board into the IASB’s standard-setting process. Our letter to the Trustees is available at <http://www.bis.org/bcbs/commentletters/iasb31.pdf> (see in particular our response to questions 3 and 4).

2. We believe that the IFRS Foundation Constitution should describe what the notion of public interest means in the context of setting international financial reporting standards. It should include, among others, prudential regulators that are concerned with the safety and soundness of the financial system and the economic environment at large. As a consequence of the financial turmoil and the potential role played by financial reporting standards in this context we observe that a reflection on the meaning of the notion of public interest has started in several fora. We understand that many take a wider view than the view taken by

the IFRS Foundation and the Monitoring Board that the public interest is limited to the protection of private investors and market integrity.¹

3. The way the public interest is understood has consequences for the composition of the Monitoring Board as discussed in paragraph 3.1.4 of the Report. While we agree that market authorities responsible for financial reporting should be represented at the Monitoring Board, we do not believe that they alone are sufficient to represent the public interest. Financial statements are crucial to investors as they ensure transparency and hence market confidence. They are also of importance to a much wider number of stakeholders, including prudential regulators and other authorities in charge of the stability and health of the financial system and the global economic environment as we all learned during the financial crisis. This point also was made by the G20 leaders in 2009 when they declared that “*Within the framework of the independent accounting standard setting process, improve involvement of stakeholders, including prudential regulators and emerging markets, through the IASB’s constitutional review.*”²

On that basis, we strongly recommend an enlargement of the Monitoring Board to duly represent the public interest in a manner that reflects the broader meaning of that notion, as explained above. This consideration is consistent with paragraph 22 of the IFRS Foundation Constitution, which states that the Monitoring Board shall reconsider its composition from time to time. In this context, including authorities in charge of the banking and the financial system regulation as a whole, would be in conformity with the G20 declaration mentioned above.

4. We would like to draw attention to the fruitful collaboration between the IASB and the Basel Committee on Banking Supervision in developing a response to the financial crisis, as requested by the G20 Leaders in their April 2009 report.

5. If our views on expanding the composition of the Monitoring Board to include prudential regulators are taken on board, we believe that the Constitutional requirements dealing with the composition of the Trustees are adequate, that is we see no role for the members of the regulatory community as Trustees. Our view on expanding the composition is consistent with article 3 of the Constitution that states that the Monitoring Board shall provide the formal link between the Trustees and public authorities.

Our responses to the specific questions outlined in the *Report on Governance Review for Public Consultation* are set out in Appendix A below. A few more general observations about the Report are summarised in Appendix B. We trust you will find these comments helpful.

These comments have been prepared by the Committee’s Accounting Task Force, chaired by Sylvie Mathérat, Deputy Director General at the Banque of France. If

¹ The Monitoring Group that monitors the standard setting activities of IFAC (the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants and the International Accounting Education Standards Board) has had discussions about the notion of “public interest” in the area of setting auditing standards and ethical standards for accountants as well as auditing education standards. IFAC has recently published a consultation Policy Paper.

² Declaration on Strengthening the Financial System – London Summit, 2 April 2009.

you have any questions regarding our comments, please feel free to contact Mrs Mathérat (+33 1 4292 6579), Marc Pickeur at the National Bank of Belgium (+32 2 221 3999), or Xavier-Yves Zanota at the Basel Committee Secretariat (+41 61 280 8613).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Nout Wellink', with a large initial 'N' and a long, flowing tail.

Nout Wellink

Appendix A

Responses to specific questions

IASB and the Trustees

Question 1: Do you agree with the proposal to urge concrete efforts to deepen the pool of candidates for IASB membership from diverse geographical and professional backgrounds? Please provide reasons for your agreement/disagreement.

We make the observation that the IASB's composition should be a matter primarily for the Trustees rather than the Monitoring Board. That said, we support efforts to deepen the pool of candidates for IASB membership to increase its diversity.

Regarding geographical diversity, we recommend to effectively implement the provisions of the second Constitution Review of April 2009. These aim to broaden the Board's international basis by increasing the number of Board members by two, as prescribed in Article 24 of the revised Constitution, together with fixing a geographical allocation. Article 26 of the revised Constitution asks that the new geographical allocation should be met by 1 July 2012, a goal that we would encourage the Trustees to meet. Although the process for identifying Board candidates should focus on the membership criteria set forth in the Annex to the Constitution, the new geographical balance should be reached by looking primarily, but not exclusively, for candidates from countries that have adopted or are close to adopting IFRS, are converging to IFRS, or have made commitments to adopt IFRS.

A candidate's professional background and expertise are even more important for the development of high quality accounting standards than geographical diversity. We believe that the diversity of professional and technical expertise should be improved to avoid any dominant representation of a group of constituents, in particular dominance from an overweighed representation of investors or financial analysts. We also note that the Board would benefit from members having experience with financial reporting of small and medium-sized enterprises.

We favour a Board composed of members that are seen as being "the best for the job" while achieving the geographical allocation identified in Article 26. This would be consistent with Article 25 of the revised Constitution, which envisions a Board whose members collectively represent "the best available combination of technical expertise and diversity of international business and market experience."

We recommend that the Trustees' Nominating Committee establishes procedures for inviting suggestions for appointments, similar to what is described in article 7 of the Constitution dealing with the selection of Trustees (see also our response to Question 17).

Whilst we support the efforts to increase the pool of candidates, we recognise the high level of commitment required to fulfil the responsibilities of this role. We therefore do not support part-time membership. Furthermore, part-time membership could impact the dynamics of the IASB's decision-making process and the current balance between work carried out by the Board and work carried out by the IASB staff and would not necessarily make the

organisation as effective as possible. Similarly, we do not support increasing the number of board members beyond the 16 called for in Article 24 of the revised Constitution as this could reduce the effectiveness of the work of the Board.

Question 2: Do you agree with the proposal to separate the roles of the IASB Chair and the CEO of the IFRS Foundation, and if so would you have suggestions on how to formalise this? Please provide reasons for your agreement/disagreement.

From a governance perspective, we agree that combining the roles of the IASB Chair and the CEO of the IFRS Foundation could undermine, substantively or in appearance, the independence of the IASB. This is because it involves combining a representative of the oversight organisation (the Foundation) and the organisation overseen (IASB). Separating these roles would help build confidence in IFRSs and the independence of the IASB as the standard-setting body.

In the new model there should be a direct hierarchical link between the IASB Chair and the technical staff involved in the development of standards.

We recommend the establishment of a formal two-way reporting line between the IASB Chair and the CEO of the IFRS Foundation to ensure that both get the information they need to properly fulfil their respective duties.

Question 3: Do you agree that clearer division of responsibility between the staff dedicated to the IASB operations and staff dedicated to the Foundation's administrative and oversight functions should be considered, and if so would you have suggestions on how to formalise this? Please provide reasons for your agreement/disagreement.

The division of responsibilities between the staff of the accounting standard-setter (IASB) and the staff dedicated to the oversight function of the Trustees is crucial to the IASB's functioning as an independent accounting standard-setter. That is why we support allocating dedicated secretariat resources to the Trustees to support their oversight function of the IASB. The substitution of IASB staff by IFRS Foundation staff and vice versa should be limited to exceptional and temporary cases.

We also agree that a division of the staff dedicated to the IASB operations and to the Foundation's administrative and oversight functions should be coupled with the separation of the role of the IASB Chair and the CEO of the Foundation (see Question 2).

Please refer to our response to Question 17 for our comments relating to the Trustees' oversight role.

Question 4: Please provide any comments on any aspects of Trustee composition or appointments that you believe the Monitoring Board should consider.

As indicated in the cover letter, we believe that the Constitutional requirements dealing with the composition of the Trustees are adequate. More specifically, we agree that there is no role for the members of the regulatory community as Trustees.

We have a concern about the various committees set up by the Trustees: see our response to Question 17.

Question 5:

- 1. Do you agree with the proposal to provide increased transparency into the process for Trustee nominations? Please provide reasons for your agreement /disagreement.**
- 2. Do you agree that further clarification of criteria for the Trustees' candidacy would help support confidence of the stakeholders? Please provide reasons for your agreement /disagreement.**

We agree with your observation that the current nomination process for the Trustees is not well understood by those who are not directly involved. Therefore we agree that increased transparency of the process for Trustee nominations and further clarification of criteria for Trustee candidates would be significant steps in the right direction.

Article 5 of the Constitution states that the Trustees and the Monitoring Board shall agree to a nomination process that will entitle the Monitoring Board to recommend candidates and provide other help. Article 19(a) of the Constitution says that the Monitoring Board participates in the process for appointing Trustees and approving the appointment of Trustees. We recommend that the respective roles of the Trustees and Monitoring Board should be delineated explicitly and that the nominating procedure itself should be better described and be made public.

We are concerned that under the current arrangements the Monitoring Board could be perceived as having too much influence over the Trustee nomination process. Considering the importance of independence in the standard-setting process, we think it would be sensible for the Monitoring Board to participate in the Trustee nomination process but not the appointment process.

See also our response to Question 17.

The Monitoring Board

Question 6:

- 1. Should the membership of the Monitoring Board continue to be confined to capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions?**
- 2. Do you agree with the proposal to expand the Monitoring Board's membership by adding a mix of permanent members (four) representing primarily major emerging markets and rotating members (2) from all other markets? Please provide reasons for your agreement /disagreement. How should the major markets be selected? Should a jurisdiction's application of IFRS and financial contribution to standard-setting play a role?**
- 3. Do you agree that rotating members should be selected through IOSCO? Please provide reasons for your agreement /disagreement.**

Preliminary remarks

As noted in the cover letter, the notion of public interest and the consequences for the composition of the Monitoring Group are of crucial importance to the credibility of the accounting standard setting process. The financial crisis demonstrated the importance of public interest and financial stability to the global environment in which standard setting exists.

In IFAC's recent exposure draft *A Public Interest Framework for the Accountancy Profession*, the definition of public interest is aligned to the mandate of prudential regulators, and includes, among others:

- Facilitating the comparability of financial reporting and auditing across different jurisdictions;
- Reducing economic uncertainty in the marketplace and throughout the financial infrastructure (e.g., banking, insurance, investment firms, etc.); and;
- Requiring that accounting professionals apply high standards of ethical behaviour and professional judgment.

Representation at the Monitoring Board should reflect this definition, notably by including prudential regulators who share the responsibility for protecting the interests of the public, defined in broader terms.

We note that in many jurisdictions the financial resources provided to entrepreneurs through the banking system exceeds the capital provided by capital markets. We believe that it would be more helpful to focus on "financial resources suppliers" instead of "capital providers" as this is more in line with the actual situation in many countries. Further, in those countries where financial resources are primarily provided by the banking sector through their lending efforts, the banks are the primary users of financial statements when taking decisions to allocate funds.

We would also like to remind that the Monitoring Board is a relatively new structure. It was set up in April 2009 as a result of the first part of the Constitution review adopted in January 2009. At that time the Trustees proposed a broader composition of the Monitoring Board to include public authorities other than capital markets authorities. It seems fair to say that the present composition of the Monitoring Board did not satisfy many stakeholders at the time and that a concern was expressed that safeguards should be present that would prevent any one group within the Monitoring Board from becoming dominant in the future.³

Finally, we would like to refer to the wider composition of the IFAC Monitoring Group. In addition to the members of the Monitoring Board, this includes the Basel Committee on Banking Supervision, the Financial Stability Board, the International Association of Insurance Supervisors and the World Bank.⁴ This wide membership has proven to be very helpful when assessing the IFAC Reforms. Also, the Monitoring Group has benefited considerably during its work from the different perspectives that have been brought in to this debate by the wide regulatory membership.

³ "Changes in the Constitution"– Report of the IASC Foundation Trustees on Part 1 of their Review", The International Accounting Standards Committee Foundation, April 2009.

⁴ The International Forum of Independent Audit Regulators is an observer.

We are aware that our answer to Question 6 assumes a review of the Constitution (primarily article 18) and the Memorandum of Understanding and the Charter of the IASCF Monitoring Board.

Answers to questions

(1) We do not agree that the membership of the Monitoring Board be confined to capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions. We believe that the Monitoring Board should have a broader membership and include other regulators like those prudential regulators and other authorities in charge of the stability and health of the financial system. We believe that the status of the Basel Committee on Banking Supervision in the Monitoring Board should be elevated from observer to member.

(2) We support an expansion of the number of members to 10 to 15 at the maximum for the reasons explained in the Report. However, we do not agree on adding rotating members to the Monitoring Board as this would likely affect the continuity of the Board's activity. As noted above, we believe that capital markets and their size should not be the only criteria in selecting the members of the Monitoring Board. We further believe that, in addition to capital markets authorities, it is equally important to have other regulators as members, in particular banking supervisors. Selecting these other regulators can be done on the basis of a number of criteria including the importance of the industry they regulate for financial stability in particular and for the economy in general. Therefore we do not agree that "*it would be difficult to clearly draw membership criteria for such a broad range of authorities*" as mentioned in paragraph 3.1.4 of the Report. The criteria for the Monitoring Board's membership could be based, for example, on quantitative criteria (size of the capital market, lending volumes), and commitment of using IFRS in their respective jurisdiction.

(3) We do not agree that rotating members should be selected through IOSCO. The Monitoring Board should not be seen as a subcommittee of IOSCO or as an organisation of capital markets authorities. The IOSCO Emerging Market Committee representative should represent all its constituents as it is the role of the Monitoring Board members to represent all the constituents of their respective organisations.

Question 7: Do you agree that the Monitoring Board should continue to make its decision by consensus? Please provide reasons for your agreement /disagreement. Are there any type of decisions taken by the Monitoring Board for which voting other than by consensus (for example by qualified majority) may be appropriate? If so please describe why and suggest an appropriate voting mechanism.

We agree that the Monitoring Board should continue to make its decisions by consensus, given that it is not voting on technical accounting standards but on overall governance issues where consensus plays an important role in ensuring commitment of all participants.

Question 8: To ensure increased involvement of public authorities and other international organisations in the Monitoring board activities, do you support the Monitoring board (a) expanding the number of Monitoring board observers, (b) holding more formalised dialogue, or (c) establishing an advisory body, and on what basis? What should be the criteria for selecting participants?

Our response to Question 6 sets out our belief that the membership of the Monitoring Board should be expanded to include other relevant public authorities. As we have detailed before, we believe that public authorities, like the Basel Committee, need to be members of the Monitoring Board to ensure that the standard setting process reflects the global approach to public interest. Thus we do not support the observer policy as we fail to see the rationale for having a differentiation among Monitoring Board members.

We do not believe that establishing an advisory body would send a strong enough message that the Monitoring Board is seeking greater involvement of public authorities and other international organisations. We also observe that the IASB has already created an Advisory Council. In the interest of efficiency and effectiveness, we would caution against a proliferation of new bodies.

Question 9: Do you believe that the current arrangements for the standard-setting process adequately ensure the appropriate involvement of all relevant stakeholders and that all relevant public policy objectives are taken into account? Please provide reasons for your agreement /disagreement.

The current arrangements resulting from the comprehensive IFRS Constitution Review have been designed to ensure an appropriate involvement of all relevant stakeholders. In particular, the Basel Committee welcomes the regular IASB consultation on the agenda (see also our response to Question 11). In addition, the IFRS Advisory Council is a forum where possible concerns and strategic views can be expressed. Given the particular interest of prudential regulators in maintaining stability in financial markets and the high degree of changes to accounting standards impacting the financial community, we continue to encourage regular meetings with standard setters.

Question 10: What are the appropriate means and venues for the Monitoring Board to enhance the visibility and public understanding of its activities?

We recommend that the Monitoring Board record its activities and posts all relevant material on a IASB hosted website (as is the case for the Foundation, the Advisory Council and other working groups). Using the IOSCO website as is currently the case, is confusing for the public that cannot make the linkage between the IASCF Monitoring Board and IOSCO. By using its own website, the Monitoring Board will increase its visibility and the public will be able to better understand the role of the Monitoring Board.

The communication policy of the Monitoring Board should make clear that the Monitoring Board is the link between the Trustees and the public authorities as stated in the Constitution.

Question 11: Do you believe that the current arrangements for Monitoring Board involvement in the IASB's agenda-setting are appropriate, or should the Monitoring Board have an explicit ability to place an item on the agenda, or would consider other alternatives that would enhance the Monitoring board involvement in the IASB agenda setting? Please provide reasons.

Overall, the IASB should be free to set its agenda after appropriate public consultation. However, the IASB has a duty to account to the Trustees for its agenda decisions, including the scope and priority of items on the agenda and the allocation of staff resources to projects. The Trustees should challenge the IASB where necessary on its agenda and the allocation of resources in light of its agenda. In addition, the Trustees should have the right to ask the IASB to reconsider its decisions, for example when it is felt that certain strategic issues have not sufficiently been taken into account (see article 37 (d) of the Constitution). The Monitoring Board's role is to ensure that the Trustees fulfil this oversight role effectively.

We believe it is important that IASB decisions to add items to its agenda be supported by robust evidence of need, for example through market failure analyses/cost-benefit analyses.

We believe the above could contribute to the confidence of stakeholders in the quality and independence of the standard-setting process.

The IFRS Foundation Constitution sets out that the IASB, in developing and pursuing its technical agenda, will carry out a public consultation every three years. We suggest considering a mechanism whereby the IFRS Advisory Council would be able to discuss with the Board additions to and deletions from the agenda on a regular basis within this three-year period. In addition, we propose that agenda decisions include the scope and priority of projects, making agenda decisions more directive than they currently are in terms of the scope and priority of projects.

In view of the above, the Monitoring Board's involvement in setting the IASB's agenda should mainly take the form of the consultation every three years, during which the IASB seeks a wide range of views from stakeholders. In between consultations, consistent with article 19.c. of the Constitution, the Monitoring Board should be able to have high-level discussions with the Trustees and the IASB on any new strategic developments in the financial reporting arena that may affect the IASB's agenda and to draw the Trustees' attention to specific items or areas of concern. The Trustees remain responsible to relay this information in accordance with their oversight responsibilities of the IASB.

We do not support a mechanism whereby the Monitoring Board would have an explicit ability to place an item on the IASB's agenda. Such an ability would not be commensurate with the Monitoring Board's role in the governance of the organisation, which primarily is to ensure adequate oversight of the IASB by the Trustees and provide a link to public authorities. The Monitoring Board's ability to place items on the agenda could infringe upon – in practice or perception – the independence of the IASB and erode public confidence in standard setting.

Question 12: Do you have concrete suggestions on how the Monitoring Board or the Trustees could encourage a move towards a more stable and independent funding model?

We believe that financing should be organised in such a way that independence of standard setting is ensured. We believe that a secure, stable funding mechanism is in the interest of the IASB.

Although we would not exclude the use of voluntary contributions or contributions from regulators, we believe that the different capital market authorities within the jurisdictions using or in the process of moving to IFRS should further consider developing stable funding mechanisms to fund the IFRS Foundation.

Question 13:

- 1. Do you believe that the Monitoring Board should have a more prominent role in the selection of the IASB Chair? Do you agree with the proposal that the role include involvement in establishing a set of publicly disclosed criteria for the Chair, and assessment of a short list of candidates against those criteria? Please provide reasons.**
- 2. Do you believe that the Monitoring board should be given any further, specific role in the selection of the IASB Chair? In particular, should the Monitoring Board approve the Trustees' final selection? Please provide reasons**

In our view, the process in place by which the IASB Chair is appointed by the Trustees is appropriate. Regarding the selection of the IASB Chair and the other IASB members, we would recommend that the Monitoring Board approves the Terms of Reference of the Nominating Committee. See also our answer to Question 17.

The Monitoring Board should ensure that the Trustees have established an appropriate nomination process and nomination criteria. The Monitoring Board should closely monitor the selection process and challenge the Trustees to ensure that the established process is rigorously followed and that the criteria that have been set are met. The Monitoring Board should not be involved in the final decision as to who becomes Chair of the IASB.

While the Monitoring Board already has the possibility to put forward names of candidates, it should not be given a direct role in the selection of the Chair of the IASB. In order for the Monitoring Board to appropriately fulfil its oversight responsibilities the whole process should be transparent. These responsibilities are to oversee and monitor the selection process and engage with and challenge the Trustees to ensure that the process is followed.

Question 14: Do you agree that the Monitoring Board's responsibilities should explicitly include consultation with the Trustees as they further develop the framework to ensure proper balance in the composition of the IASB? Please provide reasons for your agreement /disagreement.

The revised Constitution sufficiently recognises the responsibilities of the Monitoring Board in this regard.

Question 15: Do you agree with the proposal to consider establishing a permanent secretariat for the Monitoring Board to support its increasing roles in overseeing the governance of the standard-setter? Would you support the proposal even if it would require additional financial contributions from stakeholders? Please provide reasons?

We think that providing Secretariat resources to the Monitoring Board would be beneficial to support its role and would make the Monitoring Board more effective. This could take the form of a permanent Secretariat. However, it could also be envisaged that in a first phase secretarial functions would be provided by an international organisation without formally setting up a permanent Secretariat. Once the Monitoring Board has a better understanding of the resources required, a permanent Secretariat could be established. We recommend

that secretariat functions or a permanent Secretariat would be hosted by a neutral organisation, which is independent from a particular regulator.

Conclusion – Next step

Question 16: do you agree with the need for regular reviews and the interval of five years as a benchmark? Should the reviews be aligned with the timing of the Foundation's mandated Constitution reviews? Please provide reasons for your agreement /disagreement.

Regular reviews would have the advantage that governance rules could be changed when there are sudden or unexpected changes in the financial reporting environment.

Article 17 (c) of the Constitution foresees a “*review beginning three years after the coming into force of this Constitution, with the objective of implementing any agreed changes five years after the coming into force of this Constitution*”. We are satisfied with this clause and we believe that the Monitoring Board's review should be aligned with the Trustees' Constitution review for efficiency and visibility reasons.

Question 17: do you have any other comments?

We have one additional comment about the various committees set up by the Trustees.

The Trustees have set up various committees to deal with their numerous duties:

- (a) Audit Committee
- (b) Due Process Oversight Committee
- (c) Education and Content Services Committee
- (d) Executive Committee
- (e) Finance Committee
- (f) Hedging and Investment Sub-committee of Finance
- (g) Human Capital Committee
- (h) Nominating Committee.

None of these committees is mentioned explicitly in the Constitution and their role, composition and activities are not clear. We recommend that the Trustees draft Terms of Reference for each committee they have set up and would like to maintain. These Terms of Reference should at least define the mission of each committee, its composition, due process and reporting obligations. It should also be made clear that the committees report to the Trustees and that the committees do not substitute for the Trustees. Any report from a

committee, eg in the annual report of the IASC Foundation, should be formally endorsed by the Trustees.

Setting up and publishing formal Terms of Reference for the committees would increase the transparency of the way in which the Trustees function. It would also facilitate the Monitoring Board's responsibility to review and provide advice to the Trustees on the fulfilment of their duties (article 19 (b) of the Constitution). We also recommend that any formal reporting from the committees to the Trustees be published. Based on the names of the committees mentioned above, we consider this particularly important for the Due Process Oversight Committee, the Finance Committee and the Nominating Committee (as for the latter we also refer to our response to Question 1).

We also believe that the Terms of Reference of the committees should be approved by the Monitoring Board. The Monitoring Board should also monitor the proper application in practice of the Terms of Reference.

Appendix B

General observations about the Report

1. The Report mentions on pages 10-11 that the Monitoring Board asked the Trustees to report on operational aspects of governance, in particular to identify changes to the due process in relation to standard setting and the operation of the IASB throughout the standard-setting process. We would recommend that the Trustees' observations and recommendations would not only be reported to the Monitoring Board, as seems to be suggested, but would become public in the interest of transparency.
2. The Report indicates that the high-level Working Group of the Monitoring Board has reached out to a wide range of capital market authorities and other stakeholders in various regions. It would have been useful if the Report included the list of the organisations the Working Group has contacted to have a better understanding of the extent of the outreach.
3. The Report does not refer explicitly to the Monitoring Group's *Review of the IFAC Reforms - Final Report* published in November 2010. This is surprising as IOSCO is represented on the Monitoring Group and as the report mentions that "*there could be potential synergies associated with the two accountability functions now present for international standards; namely, the Monitoring Group for international audit-related standards and the Monitoring Board for international financial reporting standards*". Apart from the fact that the Report states that "*The Monitoring Board could also look at possible synergies in creating a permanent secretariat shared by the Monitoring Board and the Monitoring Group responsible for overseeing the governance of the IFAC, on the basis that there are certain overlaps of member organizations*". We believe it would have been helpful if the Monitoring Board had explored opportunities for collaboration with the IFAC Monitoring Group, including a possible common secretariat.