

**NIPPON KEIDANREN**  
**《Japan Business Federation》**  
9-4, OTEMACHI 1-CHOME, CHIYODA-KU, TOKYO 100-8188, JAPAN

September 18, 2008

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**Comment on the IASCF Constitution Review**

Nippon Keidanren appreciates this opportunity to comment on the IASC Foundation's Constitution Review. Overall, we support the idea to establish a monitoring group in order to enhance governance and public accountability. We also agree to the expansion of the IASB on the condition that effectiveness and transparency will not be undermined. We have comments, however, on the matter to ensure effective oversight of the standard setting process. We hope you find our comment informative and beneficial.

**Questions related to the Monitoring Group**

**Q1** Do you support the creation of a link to a Monitoring Group in order to create a direct link of public accountability to official institutions?

We support the creation of a Monitoring Group in order to enhance governance and ensure public accountability of the IASCF.

**Q2** The proposals contemplate a Monitoring Group comprising representatives of seven public authorities and international organisations with a link to public authorities. While recognising that the Monitoring Group is an autonomous body, the Trustees would welcome comments regarding the Monitoring Group's membership and whether other organisations accountable to public authorities and with an interest in the functioning of capital and other financial markets should be considered for membership.

We agree to the proposed membership - comprising seven public authorities and international organisations - in starting the Monitoring Group. We also think it is important to reconsider its composition from time to time relative to its objectives, as stated in section 22 of the proposed constitution.

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Q3 The Trustees will remain the body primarily responsible for the governance of the organization and the oversight of the IASB. Their responsibility to a Monitoring Group will enable regulatory and other authorities responsible for the adoption of IFRSs to review the Trustees' fulfilment of their constitutional duties. Does the formulation of the Monitoring Group's mandate and the Trustees' reporting responsibilities as described in Section 19, appropriately provide that link, while maintaining the operational independence of the IASC Foundation and the IASB?

Considering the current funding system of the IASC Foundation, we assume that most of the time and effort of the Trustees are devoted to fund raising, which is the bottom line of the Foundation's activity.

The proposed constitution says that the Monitoring Group's mandate is to approve the selection of Trustees after an agreed nomination process and to receive reports from the Trustees concerning the Constitutional requirements of the Trustees etc.. The proposal, however, does not provide clear explanations as to who has the sufficient power and capacity to oversight the standard setting process. We think that the Monitoring Group should have sufficient power to provide the necessary oversight of the IASCF. We expect that these points will be made clear in the Memorandum of Understanding between the Trustees and the Monitoring Group.

Q4 Given the proposed creation of a Monitoring Group, would there be a continued need for the Trustees Appointments Advisory Group in the selection of Trustees? If so, what should be the role and composition of the Trustees Appointments Advisory Group?

The proposed Monitoring Group comprises some members of official international organizations in the Trustee Appointments Advisory Group. Although expected role of official regional institutions to the IASCF still have to be discussed, we think that there would be no continued need for the current Trustee Appointments Advisory Group in the selection of Trustees.

### **Questions related to the IASB composition**

Q5 Do you support the principle behind expanding the IASB's membership to 16 members in order to ensure its diversity, its ability to consult, liaise and communicate properly across the world, and its legitimacy?

We agree expanding the IASB's membership from 14 to 16 members, as long

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as it is beneficial to practical and efficient standard setting.

Q6 Do you agree to with the geographical formulation suggested by the Trustees?

We agree to the proposal as long as the activities of the Board towards the goal which transcends regional interest is observed.

Q7 The Trustees are suggesting that the Constitution should provide flexibility on the matter of part-time membership. Do you support that proposal?

We agree to expanding part-time seats, however, we ask to secure certain numbers as we think that part-time members assume important role in adequately reflecting recent market voices to the discussion.

The Trustees would welcome additional comments on the proposals.

The balance between the term of the Trustees (three years) and the IASB board members (five years) should be reconsidered. In order to ensure responsible oversight in perspective of governance, the term of the Trustees should be longer than the IASB members.

If you have any comments or questions regarding our comments, please do not hesitate to contact Takashi INOUE, [kigyo-kaikei@keidanren.or.jp](mailto:kigyo-kaikei@keidanren.or.jp).

Sincerely,

Nippon Keidanren  
Economic Policy Bureau II

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