

The LIAJ's Comments on IASCF “Review of the Constitution”

We, The Life Insurance Association of Japan (LIAJ), would like to express our greatest respect to the International Accounting Standards Committee Foundation (IASCF) and the International Accounting Standards Board (IASB) for your continuing efforts to develop high quality and global accounting standards, and to also extend our gratitude for providing us with an opportunity to present our comments on the IASCF “Review of the Constitution”.

The LIAJ is a trade association comprised of all (45) life insurance companies operating in Japan. Its purpose is to promote sound development of the life insurance industry in Japan and maintain its reliability.

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?

(Response)

Basically, we agree to the creation of a link to the Monitoring Group in order to create a direct link of the IASCF's public accountability to official institutions.

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.

(Response)

We support the proposals that contemplate that the Monitoring Group would initially be comprised of representatives of seven public authorities and international organizations with a link to public authorities. We believe that this composition reflects the interests of not only the authorities responsible for the adoption or recognition of financial reporting standards in major capital markets, but also of developing and emerging economies. The Monitoring Group should initially be comprised of the seven representatives and then, as described in the new Section 22, expansion of the membership could be reconsidered in the future if necessary.

Q3. The Trustees will remain the body primarily responsible for the governance of the organisation 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' fulfillment of their constitutional duties. Does the formulation of the Monitoring Group's mandate and the Trustees' reporting responsibilities, as described in the proposed Section 19, appropriately provide that link, while maintaining the operational independence of the IASC Foundation and the IASB?

(Response)

The proposed changes to IASCF Constitution are rather vague as to the responsibility of the IASCF to the Monitoring Group. The Monitoring Group should have sufficient powers to provide the necessary oversight of the IASCF. An interaction between the Monitoring Group and the IASCF should be clearly set out in the Memorandum of Understanding exposed to public. Furthermore, the Monitoring Group should monitor the work of the IASCF effectively, and thereby monitor the work of IASB.

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

(Response)

None

Expansion of IASB membership and geographical allocation

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?

(Response)

In order to ensure the IASB's diversity, its ability to consult, liaise and communicate properly across the world and its legitimacy, we support the expansion of the IASB's membership. However, to do so, we believe that membership should not only be expanded, but that presumptive openness and/or more frequent implementation of field tests covering major markets should also be required.

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

(Response)

We support the geographical formulation of the IASB membership to ensure the IASB's diversity. We recommend that two members from any area, subject to maintaining overall geographical balance, should be appointed in a way that a composition ratio of the membership should be closely related to that of capital markets across the world.

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

(Response)

None

(Other comments)

A voting requirement should be a high-level requirement to enhance the reliability of standards adopted.

Specifically, we support concept that the final standards should require approval:

- by nine (9) members if there are fewer than fifteen members;
- by ten (10) members if there are fifteen members; or
- by eleven (11) members if there are sixteen members.