

IASCF Trustees and Monitoring Board Meeting, **13.00 – 15.15** **1 April 2009**

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Speaker key

AF	Aki Fujinuma
AV	Antonio Vegezzi
BC	Bertrand Collomb
BN	Sir Bryan Nicholson
CM	Charlie McCreevy
DS	David Sidwell
GZ	Gerrit Zalm
HH	Hans Hoogervorst
JM	Juniche Maruyama
LS	Luigi Spaventa
MC	Miranda Corti
MP	Mohandas Pai
MS	Mary Schapiro
OF	Oscar Fanjul
PL	Philip Laskawy
SD	Samuel DiPiazza
SM	Sylvie Matherat
TS	Tom Seidenstein
UM	Unidentified Male Speaker

GZ Well, welcome Charlie; it's nice that you're here. How are you? As some of the people here may know, we were colleagues for quite sometime. Charlie was Minister of Finance in Ireland when I was Minister of Finance in the Netherlands and Charlie became Commissioner when I was still Minister; now we meet again in another setting, so you keep meeting each other. Let me repeat my welcome for everybody. I think this is an important meeting; it's the first meeting of the Trustees of the IASB organisation and the Monitoring Board. It was part of our constitutional review to create this kind of a Monitoring Board. If you look at the history of the organisation, it is a private initiative which is peculiar, a private initiative to create worldwide standards. It seems a bit too romantic to be true, but it is a successful initiative and it's now

applied in Europe. Europe made the breakthrough and more countries are now joining and, at the same time, that also creates the question mark whether such an organisation should not have a proper public responsibility, a public accountability on the one hand to the general public, but also to the public authorities. And, if you look at public authorities, then you more or less automatically come up with the security regulators because they have the same goal, you could say, as the International Accounting Standards Board has; that is to support the interests of investors. We do it through transparency in accounting and promoting that and promoting also the independence of the standard setting process and this investor orientation, as the ultimate goal, is also present in the securities regulators group. So that is for us an easy, nice companionship also. These people who are supervising us have the same ultimate goal in the back of their head as we have. I think that's a step forward. I think that also, in your circles, there is sympathy for the idea that the world would be improved if we would have a high quality set of accounting standards which would be applied everywhere, because that's good for transparency and capital markets, etc. And you're also very knowledgeable in keeping politicians out if they try to have undue influence on processes which should be independent. And we feel comfortable with that too. We hope that we'll get a good relationship amongst each other, hopefully mostly fine and in harmony but, if necessary, if you have critical remarks to make to us, we are welcoming that too. We are not very touchy in that respect and I hope that if we have suggestions to you, that you'll be available to accept that too. This far is an introduction from my part and maybe we can have some small general rounds before we go to the real topic. Hans?

HH Thank you, Gerrit. Yes, I completely agree with the statement that you just made. I must say that the world of accounting – I am also an old companion of Charlie, Gerrit's briefly allowed me to be Minister of Finance in-between him for nine months and that was also at the same time as Charlie. But this the first time I have been more or less immersed in not only the world of auditing, but also accounting, which had always been very far from my mind. And I have never expected this world to be so interesting and also so political, which is of course a reflection of the truly remarkable times that we are living in where, for obvious reasons, a lot of sensitivities arise. I also believe that for worldwide standard setting, independence is extremely important, but independence also requires responsibility and independence also requires accountability. So I think it was indeed a very good move on your part to create this group, this Monitoring Board. I know there is still a discussion going on about the precise composition of it, but generally it is seen as a very good development in which at least public authorities can have a say and can reflect on the work that you are doing. And I think we all look forward to engaging in this new task and we look forward to working with you to check the independence of standard setting, if necessary, to give good constructive criticism or even less than constructive criticism if such should be necessary.

CM First of all, thank you, Gerrit, for the very warm welcome. As you pointed out, we sat for many years as finance ministers together. I think you might have been the longest serving Finance Minister in history. I can give you ten years and I served over seven and a half. I joined the period with you but went to another job for about a year. Your colleague, Hans, was there, so I think it just proves that we were too long finance ministers and I think that proves we were too long with the same job. But secondly, can I say that I never thought I'd be back dealing with issues to do with auditing and accounting. By profession I am a chartered accountant and it's 36

years ago since I qualified and well over 20 years since I came into politics in Ireland and more or less left the accounting profession. And I never thought that when I came to the European Union that I'd end up at the end of my political career dealing with auditing and accounting. And, like Hans, in my day I didn't think auditing and accounting was anywhere connected with politics at all or anyway political, and I've learned this has been one of the most fraught political areas. And as Hans and others would probably know, the European Commission, I suppose for those in Europe understand what construction it is, but for those outside of Europe, they might not understand it so easily. And we must remember we have various constituents to which we must report back to get approval thereof in any of these particular areas and that has made this particular accounting, auditing area, which should be by its nature technical and everything else, made it somewhat political also. And also the financial crisis which we're going through, it definitely makes us and highlights the need to take a long hard look at all aspects of the global regulatory framework in order to learn lessons from this particular crisis. Of course this applies equally to accounting standard setters, including in terms of governance, and this of course is a clear message which is coming from the G20. Now, the European Union has been the lead supporter of International Accounting Standards. As people here would know, it was back in 2002 that the EU made a decision that they would adopt from January 2005 IFRS for all listed companies. So we are the biggest constituency as of now for IFRS. So, with respect to everybody around the table, if the EU hadn't made that big step which predates my time – I was only there since the end of 2004 – if that decision was not made by the EU Commission and the EU at that time, IFRS would not have got the traction which it now has internationally. That is a fact. It is us that gave IFRS that particular set of traction as we are the bigger user of them and we made that particular decision. So I just wanted to point out that and it does not reflect the decision made pre my time there and it was a very, very important decision. Now, if anything, this financial crisis has exercised the need for a greater international cooperation of standards and of regulation for lots of reasons. One would be to avoid regulatory arbitrage and also to ensure a level playing field. So this was why I think that global acceptance of IFRS will only be possible if the governance is perceived as being legitimate. And I, more than anybody else, coming from my accounting and auditing background, would recognise the importance of an independent standard setting body. But as Gerrit would know and I would know, and Hans would know, even independent central banks – and most of the central banks are independent but there is still accountability, so you can be independent in your standards setting, independent in your decision making, but there must be political accountability. And those of us that have come from the political field like Gerrit, Hans and myself, although Hans was only in the field for a short time would take that as a kind of quid pro quo and as a natural thing. So this is why I think it's important that we just emphasise that particular point. So therefore this Monitoring Board which has been set up, I think it is very, very important; I think it is a big step forward and I think it is important that it works effectively as well. So for the time that I have left in this particular job – my term of office finishes as the end of this year and at the time that I came in '04 I was only going to sit one term in the European Commission – it will be somebody else. But I think we can lay the kind of groundwork and I think this Monitoring Board can be very effective and very useful and reemphasise and re-strengthen the idea of independent accounting standards. And I think that we'll do a very good job if we live up to half the expectations about it, and we might confound also some of our critics.

GZ Thank you. Mary?

MS Thank you very much. It's a real pleasure to be here, especially to meet many of you for the first time and I really look forward to working with you. And I also want to thank Hans for being willing to take on the chairmanship of the Monitoring Board at this really critical time. The SEC's been quite committed to the creation of the Monitoring Board and we're very committed to its work going forward. I think it will be an important component of helping to preserve the independence of accounting standard setters and I think, as we look around the world, we all know, and most particularly in the United States, I think, how important the independence of that function is and that it is something very much worth preserving and protecting. So my hope is that the Monitoring Board will really play an important role in that regard. We're also very committed to ensuring that the financial statements and the accounting standards serve the needs of investors and that's an issue that I think is also in the forefront that we all need to be dealing with over the course of the coming year. But as capital markets' regulators, I think many of us feel that the pre-eminence of investors use and need for financial statements really ought to dictate much of what we do going forward. We're also committed to moving ahead with achieving what I think we all believe is the correct goal over some time frame, and that is a single universal set of high quality accounting standards for public companies, and the SEC remains committed to moving in that direction and very much committed to the convergence process. So again, thank you, and I'm very happy to be part of this.

GZ Thank you. Juniche?

JM Thank you, Mr Chair. Well, let me start with the message from my boss, the Commissioner of the Japanese FSA, the Commissioner Sato apologises for not being able to make himself available for this meeting. That doesn't mean that the FSA is not committed to creating the Monitoring Board and implementing the Monitoring Board, but rather the opposite. The G20 Summit Meeting is now being held here in London so that both the Prime Minister Aso and the Minister of Finance, Mr Yosano, are here in London and currently the Minister Yosano, the Finance Minister, is also wearing two hats. He serves as the Minister for Financial Services, which is our Minister, so that the two of those big wigs, the two leaders are out of the country. They're both in London so he can't lead my country from the crisis management perspective and every perspective. So he despatch the small guys like me. Having said that, a couple of points, approval of the JFSA, as I've said, is very seriously committed to creating that Monitoring Board and implementing the Monitoring Board in an effective and efficient way. And, as Mary says, we, the JFSA, is also committed to move forward in the medium term and longer term the single set of the high quality accounting standards as well. In that respect we have recently announced that our own roadmap which I'm going to explain later on, but we are going to move forward, going forward; we are going to move forward towards the path of the adaption of the IFRS eventually. So that will help the discussion of this Monitoring Board, as well as the meeting with IASCF Trustee members. So in a sense, the IFRS are increasingly and rapidly getting the international public good in the economic textbook sense. At the same time, because it becomes international public good, it has to assume accountability as well, so that in that respect I hope the Monitoring Board will assume its own very strong responsibility in that respect. And also, in terms of the public good, we are very much interested in the XBRL treatment in the first phase.

Anyway, today's inaugural meeting is an époque making meeting so that I hope that a fruitful and effective discussion will take place today. Thank you.

HH Thank you very much. Sylvie?

SM Thank you. Will Engels regrets not being able to be here; he's in South America and expanding the good of prudential rules. We really think that it is a very important meeting, although we regret not to be a full member, but an observer. It is not very clear what I have the right to do. I know that I have the right to speak, but not to vote. We fully share the notion of public good; we think that the central bankers and supervisors are really very important stakeholders of accounting issues and we have developed, in that respect, a good relationship with the IASB and we try to enhance our relationship and improve working together, because that's very important for us. Clearly accounting issues are key aspects in the current situation. The objective of financial stability should not be too far away from that. So we'll be here to remind you of that, thanks.

PL Thank you, Gerrit. I would just like to say a few words. I, by coincidence and circumstance, as the only remaining original Trustee when this organisation was founded seven or eight years ago, I just wanted to say – and some of the you on the Monitoring Board know as well and others know us not well, but this group of people, which was put together by many of your predecessors, originally was a very, very high quality group of Trustees who were totally committed to convergence and having a high quality set of International Accounting Standards and has been followed by the group you see sitting next to you, or near you, by a group that is of even higher quality. And I just want you to understand the commitment that these people have and I think you know some of them and you heard a little of their backgrounds that it's hard to find any group of 20 plus people with such a diverse background and with such a background of accomplishment and success and commitment. And I also want to impress upon you that the Trustees have operated from day one as an independent a group and as apolitical a group as one can imagine. I totally agree and support the Monitoring Group's goals and purposes because obviously despite however we've operated and acted, we didn't have legitimacy because we didn't have any governmental oversight. But we have operated – and I'm really speaking for the others, not me – we have operated always with the best interests of having a high set, one set of converged accounting standards and I hope that the apolitical nature of the Trustees can be continued by the Monitoring Board because, if not, I think we're absolutely going to lose something that has been very, very special and has enabled us to reach the level of success. We were very close to getting to the point that we had hoped to get to and we were pleased that we were getting there early. We've clearly had setbacks over the last year for a whole number of reasons which we don't have to go into, but there is an enormous commitment of this Trustee group, and of course the Board, to getting to the finish line and we look forward to your help and support in getting there. Thank you.

GZ Thank you, Phil. Anybody else from the side of the Trustees? No. Well, this is the only time I'll chair this meeting and next time of course the real boss will chair. But this is a bit of an improvisation because we are reorganising, but of course next time... Let's go to the draft annual report. One of the things which is in our Memorandum of Understanding is that we'll report annually to the Monitoring Board as we are extremely transparent, also showing by today's

public meeting with the Monitoring Board that there is not a real difference to be made between what we report to you and what we report to the broader public. So the annual report seems to be the ideal vehicle to base our report and adhere to. But maybe it's sensible to shed light on two special issues. That is the whole due process, which is an important part of our work and the other issue would be the financial position, which may not look very important, but without money, no accounting standards. So it's still good to look at. We'll cover more in general terms on the arrangement for the medium and longer term under the next topic on the agenda, so let me first ask Antonio to introduce us about the activities of the Due Process Oversight Committee in the past year and what the ideas for this year will be.

AV Thanks, Chairman. What I plan to do, since this is the first time that we meet, is to give you an introduction to explain the role and the responsibilities of the committee, the modus operandi and to introduce the main activities of 2008. I want to keep it short, but obviously we'll have all the time to discuss if you have any specific point on how we work and on the initiatives that have been taken. I just want to tell you that the idea of reengineering what was then called Procedures Committee into a more robust structure came during the review of the constitution in 2005. That was the first review of our constitution where the Trustees recognised the importance of demonstrating the organisation public accountability. In very concrete terms this meant a couple of things. First, the creation of Due Process Oversight Committee as a standing committee with a very clear mandate and a chart of objective; second, the willingness to increase transparency across the board about the Trustees' activities and, in particular, about their effectiveness in carrying out their responsibilities, realising that you cannot have a public accountability without having a strong transparency. The mandate of the committee can be summarised in two points. More broadly the committee is to undertake a continual review of the Trustees' oversight work for consideration of the other Trustees. In a sense it acts as a radar screen to make sure that the right issues are identified and addressed individually or by committees of the Trustees group. And more specifically, and in first person, the committee oversees the IASB adherence to the due process and works with the IASB so that this happens in an effective manner. The way we built up the framework and the scope of the committee was going back to the constitution, very simply identified the responsibilities that were set out for the Trustees in the constitution. It identified then next which responsibility, what we call a key for success, in other words what we meant was necessary for the Trustees to do in order to fulfil successfully their responsibilities. And in the third column we have action items where we identify year by year, period by period, the actions that have been undertaken. This blueprint is set out in a form of a matrix and is available on the web, so to create real transparency on what we are supposed to do for the general public and what we actually do. The modus operandi is pretty straightforward. The committee comprises seven members with a fine balance of regions and backgrounds. It meets quarterly on a regular basis and any time an urgent situation occurs. It reports to the Board of Trustees in the public session with recommendation or requests of approval or some action undertaken; it reports its activities through the matrix I just mentioned above in the web and is the point of contact for stakeholders if they're not happy or have to complain about the Due Process Committee. Just last week we received a letter from stakeholders groups with some comments about due process for a specific standard setting. We will review that; we will discuss it among ourselves; we will query the IASB. We will go back to the stakeholders group with the action we have agreed upon. Finally, the Oversight Committee meets with the IASB twice a year. I think it will be very helpful to give you a quick update or

review of the activities in 2008; that's probably going to help you understand better what we do and what type of impact we have on the organisation. If you look at your report, the paper that has been distributed to you, there is a list of initiatives and I would really divide them in two groups. The first set of initiatives are the ones that are led directly by the committee and revolve around the issue of compliance with due process and its effectiveness. So just like the organisation, the review of the working groups, the assessment of the role of the feedback statement and effect analysis in other projects. The idea here is not necessarily and solely to make sure that almost bureaucratically there are key steps of the due process have been met, but that the interaction with the different key stakeholders at any step of the process is effective, intensive and productive. So we want to make sure – and I think the IASB is on our side – that IASB is reaching out in the standard setting process. We heard a few years ago about the issue of an “ivory tower” and frankly I never felt it was totally true, but that is one of our errors of concern and we work with the IASB just to make sure that at any point in time this channel of communication, this willingness to reach out, to be for technical input, to be for what I call reality checks, is there. You can see that in a couple of projects and very briefly I want to give you a sound bite. We reviewed the effectiveness of the working groups, the IASB sets working groups at the beginning of any new standard setting process or review of particular standards. Working groups are made by experts, technical expert, a business expert, and they really provide the IASB with an input again about the technicality of issues, but also what I call the real-life issue, the business impact and so forth. So what we did, we sent a questionnaire to all the individuals that have participated in the past on working groups, asking a number of questions about their own thoughts on how the process went and how they felt their contribution was effective within the process. We got a level of responses. The general picture was positive, and that was very encouraging, but there were a number of specific points relating to the composition, relating to the day, modus operandi, relating to the feedback between the IASB and the groups, relating to the way they are involved; they are going to be very helpful. We have translated these comments into suggestions for improvement; they've been reviewed by the IASB. We will be discussing them with the IASB, so what we feel at the end of this project that we're going to make more robust, the interaction between the working groups and IASB. Similarly, we have been sponsoring and being a sounding board in the elaboration of the feedback statement and effect analysis where the IASB creates a lot of transparency about the approach, the assumptions underlying, setting a standard and creates transparency about the input and feedback received by the different parties. So that is really what I call the projects that revolve around due process effectiveness in a very large sense. The second set of initiatives that you find here, some of them are very broad and have not necessarily been undertaken by the Due Oversight Committee in the first person, but have been led by other Trustees, all the Trustees as a group. And they really revolve again around effectiveness issues and, just to mention some, is the monitoring responding to the financial crisis; this has been a continuous priority and continual questioning that we had during the year. In one particular situation we decided to suspend the due process, given the emergency situation. Going forward we want to formalise and create a framework so that any suspension, partial or total due process, is rationalised. And again that's with a certain or a high level of transparency. There has been, as a priority, the review of the IASB agenda and discussion that were related to the Memorandum of Understanding with FASB, a continuing monitoring. And then in other areas, but I think it's always very important, there has been a beefing up of the performance review of IASB and this

is part of what I call the general accountability assessment of performance and deliverables. This, in a nutshell, is where we come from, what we do and how we do it.

GZ Thank you very much, Antonio. Are there any remarks or questions on this issue?

SD Gerrit, just to add one comment to Antonio's very good summary, Antonio socialises the agenda for the Due Process Committee to all Trustees and so often others will join, because this is considered to be the heart and soul of accountability, so many of us will join as observers or participants with the committee because we feel that as many of us that can participate at each of these meetings, the better. So it's a broad touch throughout the entire Trustees.

GZ Absolutely, thanks. Juniche?

JM Well, thank you, Antonio. It's very clear and a full explanation. You mentioned during your explanation you mentioned about suspension of the due processing last October and you also mentioned the Due Process Oversight Committee. So I would just like to know that the combined is a two idea concept. The question is, first, the Due Process Oversight Committee, do you have the minutes? Because they are supposed to hold that twice, I think, the meetings, together with the IASB members. And also the other thing is, how does this Due Process Oversight Committee react or work to a function upon the suspension of the due process last October? And also, is there any arrangements that the Due Process Oversight Committee has discussed and decided going forward upon the experience of this kind of suspension of the due process?

AV Yes, the answer to the first question is we do have minutes. We have minutes that we share with all the Trustees, so as some were saying, we are explaining the efforts but we feel that all Trustees are involved. So we have the minutes of our meetings; they are shared with the Trustees and discussed in the public session and, at the same time, we have also minutes of the meetings with IASB that are shared with the Trustees. The agenda for the minutes with IASB, to which we have a number of Trustees that are not part of the Oversight Committee that attend, is an agenda that has been set up by all the Trustees groups. So it's really a group where if the Oversight Committee is interested, we can distribute the meetings of our meetings. In terms of the suspension, we – and when I say we, all the Trustees – had a long and intense discussion about the suspension of the due process. It's one of those situations where there is not the absolute white and the absolute black. It was a situation where you have to choose what is the better with some level of compromise. We decided and we stood by the decision to go ahead, given the level of urgency. Having said that, we have agreed on formalising the process of suspension of due process or reduction of due process through formal procedures that will be discussed, approved, published. So there is a transparent framework on when the due process is limited or partially or fully suspended, rather than acting on an ad hoc basis.

JM The only point is that particularly that this Due Process Oversight Committee, did this committee make any specific functions at the time of the suspension of the due process? You said that we discuss, we discuss, but that's Trustees, right? Is there any specific function described the Due Process Oversight Committee at such a kind of emergency type? Or you are

going to just make an arrangement going forward? I mean, what did this committee do last October? A simple question.

AV The situation was not a situation where we had all the time, so it was a real emergency. The issue came out during the Trustees meeting that we had in Beijing in October. A decision needed to be done. As the Trustees, we discussed and, as members of the Oversight Committee, we agreed upon... yes, it is an exceptional situation but recognising that it is an exceptional situation and recognising that we needed to have a more robust framework - that was taken on the spot, to have a framework that we have agreed to. And it is part of our objectives to design a framework that is going to regulate any type of inception to the Due Process Committee.

SD Maybe I can add that during the second part of our constitutional review we already put out the question about emergency procedure, so that should be in the constitution, under what circumstances and in what form you can have a reduced procedure in emergency circumstances. And, secondly, the Due Process Oversight Committee is existing only of Trustees, so it is not a committee outside the Trustees; it's a committee from the Trustees. So if we are collectively together and you have the subject on the table, it's of little use not to let the other Trustees talk about the issues. So it's not something out of the Trustees advising to the Trustees, but it's part of the Trustees which are dedicated to the Due Oversight. So that's why we could have this unanimous decision - it was unanimous because it was an important decision - in the Trustees meeting.

AV The way I would see it is that was a large Oversight Committee encompassing all the Trustees.

GZ Luigi?

LS The way I see it, the Trustees are delegating functions to a subset of them, which is the Oversight Committee. So, at any time, the delegating body can take over the functions of the delegated body.

JM If such is the case that the Due Process Oversight Committee, they don't have any arms and legtype of arrangements of who is the Trustee itself. They have already melted inside the Trustees member. Is that the correct understanding? Or do they have any, to some extent, any independence in its function?

GZ No, if you have a council of ministers, you sometimes have a subgroup. Maybe even in Brussels they have subgroups of commissioners. But you're always subordinated to the collective group, so that's the way you should see it. So it's clear that we have some distribution of labour, for example, we have also a Remuneration Committee, an Audit Committee, but the power is always with the Trustees as a collective. So we don't want a special independent blocking vote for a subgroup; that's not the way we work. I hope that explains it. Sir Bryan?

BN I was just going to add the comment, building on the comment Sam made about one aspect, and when you actually sit there working in the Due Process Oversight Committee with the Board, there is always a time where you have an interactive dialogue where the board can

raise issues that may be on their mind, not necessarily issues requiring decision, but issues of elaboration around the standing of the Trustees' position, perhaps even requesting the Trustees' aid, perhaps in a PR or other sense. So the Oversight facilitates the effective working and independence of the Board and that does not necessarily mean always a big decision like a suspension of due process. There's a lot of lower level work that just simply facilitates the effective oversight by the Trustees, but also the effective working of the Board. It's a two-way traffic.

GZ Okay, thank you. Hans?

HH I would like to ask Antonio if the functioning of the Standards Advisory Council, would that also be under your remit?

AV If you want it there, again it was effectiveness. In other words, we have been concerned when we raised... The issue of looking at the Standards Advisory Council started by looking at ourselves first, but then all the different bodies surrounding IASB, so the foundation and the different bodies are effectively discharging their responsibilities. So I go back to the matrix. That is part of the reflection of the Due Oversight Committee, and there we started discussing whether we are making the best use of the Standards Advisory Council. We share that with the rest of the Trustees; we put a group together and the group was made largely by members of the Oversight Committee, but there were other members. We set up that, we got other groups. We reviewed and we made some changes, so the Standard Advisory Council has not been radically changed. There have been some changes that we think are going to make it an even more effective group. So the answer is the reflection about the assessment, the focus on whether as a group, we think that the general IASB structure is operating effectively and can start with the Due Process Oversight Committee, but the solution can be brought by a larger group.

PL I would just add, Hans, you may know this, but for the rest of the members, probably one of the most frustrating challenges for the Trustees right from the beginning has been having an effective Standards Advisory Council. Sylvie, are you still on it? Yes. So we could speak to it as a member, but it has been just an enormous challenge for us. And we've tried different iterations and different size and different groups of people and yet never have been able to make the members feel like their contribution is that valuable and also having the Board or Trustees feel that their contribution is that valuable. So that continues, I think, to be a challenge for us.

HH That's important that you mentioned that because those are also the sounds that we hear from the people are on the SAC that they sometimes have the feeling that their contribution may be heard but that they don't receive sufficient feedback, to be given the feeling that their comments are being sufficiently taken seriously. So that might be something that you might want to invest in more and it might also serve to deflect a lot of criticism that you're currently seeing.

GZ The problem is a bit that this SAC also serves the objective that it must be a global representation, so there's a regional dimension, but there's also the dimension that it should be a representation of preparers, users, auditors, what have you, and they come from different sectors. So it's a bit like United Nations on accounting and it's difficult to make that a very efficient and

effective group. At the same time you need such a kind of group. If you look at working groups, they can be far more effective because they have far greater scope; they are the experts who really have an interest in the subject, so that is an easier vehicle for advice. Nevertheless you need some general advisory body which is representative. But that's my preliminary idea.

TS The actual point is that we just re-task the Standards Advisory Council so, on the basis of a lot of the feedback that we have, so we hope the current incarnation where we have appointed members reflective of stakeholder bodies throughout the world that will have a more formal connection to stakeholder groups, have an expectation that stakeholder members bring issues to the board and then bring things away from the board. And the board in the last meeting has taken on the action about feedback as well in having specific time dedicated to issues raised at the Standards Advisory Council in an effort, not only that but in addition to the emergency due process procedures. We have a question on this point as part of the second constitution review as well. So obviously it's on our radar screen but the hope is that this new format, this is our third goal on the SAC, that it will continue to enhance the effectiveness of the body.

GZ Sylvie?

SM Well, my comment will be very similar. That's why we have that concern with the efficiency of the SAC. But the new one, I mean we have been clearly asked to be there as representatives of our organisation. I'm not just speaking for ourselves, but to represent our organisation. And I would like also to mention that for the first time, the new chairman, ask us about our views and the new FSA, FASB proposal, what we should advise the IASB to do with that. That's the type of thing that already we will come.

CM To show the importance of how high up the political agenda the accounting things have moved, at the Ecofin meeting last July, the Ecofin being the meeting of 27 finance ministers, they, in talking about the next phase of the constitutional review of this particular body, referred to the effectiveness of the SAC. So I think in Gerrit's time and my time, through ten years of Ecofin, I don't think an issue like that ever got the conclusions of before, which shows the importance of all these areas is now occupying finance ministers, and I don't think it ever happened in my time or Gerrit's time either. Now one of the problems with the SAC, and Gerrit has referred to it himself, it has to be global, it has to be representative. But there are close to 50 members on it and that, per se, makes it somewhat unwieldy and it hampers its position to adopt coherent positions. Yet, on the other hand, if you don't have it representational and global, then you'll be criticised. So in the next phase of the constitutional review, which is endorsed in Ecofin conclusions, this specific point was made and we can touch upon that. And in general I want to welcome the efforts of the Trustees to improve governance and, in particular, the setting up of the Monitoring Board, which I said in my introductory remarks. But this is regarded as a first step and there are very high expectations for further reforms. And, as I said, as part of the Ecofin conclusion last July, three or four reasons were mentioned; that was one of them. It also referred about systematic public consultations, about their IASB priority setting and their work program, particularly the FASB / IASB conversion agenda. It also referred to the formalisations of impact assessments as part of the IASB due process and I'd add this myself, which I raised another form in this area. I think we might have gotten, long before this financial crisis, we had other difficulties with some items. I've always referred to not just the impact assessments, which

are a particular kind of... and it depends how they're done, I like to think – and I use this phrase myself – I think a certain amount of road testing could have been done on some of the standards. I think that I've maybe talked to some people around this table about them. What I mean by road testing is before we ever got to it, that we possibly looked at it in a virtual situation. And we might have found out things that way that we might not have found out any other way, but there are different ways of approaching this. I think, as the lady said – I just missed her name for the moment – I think there has to be in the next phase of the council focus on the IASB must take account of the broader range of stakeholders, particularly say the Basel Committee and the ECB. I know there was a report they were discussing, there was the reference to funding as well, but we can discuss that later on. And of course may I say that of course IFRS and the convergence of IFRS and US GAAP of course remains very important and we have to take into account other jurisdictions as well. It's only fair to point out that; it can't just focus on that, even though of course the IASB and the FASB convergence agenda is the same as it's part of a wider program as well.

GZ Thank you everybody. I realise that we try our best to make the Standard Advisory Council more and more effective but it will always be a difficult issue probably, like creating an effective parliament with more than 600 people is also a hell of a job and still you have to do it.

CM Who knows better than myself?

GZ So there are some things in life which are inevitable and you try to make the best out of it, and I think, as I see it, it's something like that, we can't miss it. We know we are handicapped by size and by its composition, on the one hand, and at the same time if you are practical, you can improve procedures so that it will be more effective than it has been up to now. So we try to improve every time and again the relationship with the Standards Advisory Council.

JM Just one small issue, but just to encourage that the IASB and IASCF people, it's about XBRL, which is very important. And as you know, Japan has already introduced our own filing system called EDINET. It's an electronic filing system to the authorities. And also that the United States is on the way to introduce the same kind of XBRL type of system. So it's very important. And also that IFRS, IASB and IFRS is now developing its own XBRL system. The only problem is that the difference from the Japanese and Americans, IFRS taxonomy doesn't include the accounting common practice part. It's only the standard part. But our XBRL, I think, includes the common practice part in taxonomy and Americans can do. So if we join that as a group of the IFRS XBRL groups, that means that that might reduce the coverage of the information. So I just would like to encourage. This is just asking you a favour to speed up the work on the development of the IFRS taxonomy so that the IFRS taxonomy can include the common practice part, not only the standard part. So it's that kind of harmonisation of the Japanese/American system and IFRS system can be done in a more quick and more effective and efficient way. So, in a sense, I would like to ask you a favour of a slightly more budget and human resources. That's it. Because looking at the budget itself, it's only the one person that increase so I'm afraid that it's not enough.

GZ Well, it's not only a matter of money. The common practice part is something different of course than the authorised IFRS by the organisation. So we have to find something practical

which does not involve that it is the official common practice of the organisation because it's a principle based system. And we have to find something intelligent. But it has the attention.

TS Yes, we know it's on our radar screen. We discussed it and the budget that you are presenting does not reflect the work that would be required for the common practice. That's intentional because it's an open question before the Trustees.

SD Yes, before you move on beyond due process, I just simply wanted to observe that for those of us that have served as Trustees for a while, this issue of due process is maybe the single most important one on our mind as Trustees. The IASB is regularly criticised for not having good due process and for not listening, all of those things that we hear. And I think it's very important for the Monitoring Group to understand that we see this Due Process Oversight as critical as Trustees and we go to great energy and effort to be sure that the board is listening and is engaging and is going through a feedback process and all of those things. And so I think the more that the Monitoring Group can understand the intensity which we go at this, the better, because we think this is the greatest issue that we have. Not everyone's going to agree with the standards. People will look at standards and not like the answer and, if they can't win the argument, the technical argument, then they attack the due process. And we know that unless we have exemplary due process, we won't win this argument. And having served at the FAF overseeing the FASB, and watching how the due process was observed at the FASB, this is far beyond anything I've ever seen in a standard setting environment. So I just wanted to emphasise this is not a set of procedures and processes. To us, this is the heart of the credibility of the IASB.

PL If I can just reemphasise Sam's last point, because I think this is important for the Americans, the IASCF, the Trustees, when they were formed were somewhat formed as a duplicate copy of the FAF. And the FAF didn't have due process because there was a belief by many in the United States that any effort to impact the independence of the FASB was inappropriate and therefore they didn't even have due process. So when we started out, we did not have Due Process Oversight Committee and we, the Trustees, moved to it very much against the American members, not myself, I must say, but a number of the American members, one who was a former SAC chair, who thought it was inappropriate to have that type of involvement. So in many respects this has been a breakthrough, even though most people perceive we've been a little late in getting there, but it's really been a breakthrough and it's been a real change in the way accounting oversight is followed. So I think we've made great progress in the last few years and Antonio deserves a lot of the credit for that. But it is different, at least in the United States; to this day I think the FAF is now just starting to develop, trying now to model something, I think – I'm not even sure I'm right – similar to what we have. So this was a big, big change I think for standards setting.

GZ And if I may add another aspect, also in the selection for new Board members, of course we look at the technical qualities. We see whether they can talk, but we also check whether they can listen, so that's also important.

GZ Okay, can we go to the next subject; are we going to apply for Article 11, David?

DS Hopefully not. I'm doing this on the chair of the Audit Committee. You have in your materials the draft at the time of the distribution of the materials to you of our annual report. We, as a Trustee group, approved this morning; the Audit Committee met yesterday with the external auditors, BDO, who signed off on our financials. Let me just highlight a few things in these financial statements because I think what is important is really the forward look. Obviously we want to make sure that we have sufficient resources to get the job done, of being a global standards setter. When you look at 2008, we had profit before valuation of financial instruments and exchange of just over £500,000. I think what is important here is that our expense base is a little over 19 million, which is driven primarily by the cost of the people who work at the organisation, plus the cost of Trustees outside meetings. About 100 people today work within the organisation. Obviously, as the demands on the group have grown, we have seen the related compensation expenses increase and I think, as you'll see when we look at the multi perspective, we'd expect that to continue. Obviously one of the big drivers – and again you see this impacting in 2008 as we continue to do the outreach that we believe is necessary for the board to do – obviously the cost of travel, the cost of holding meetings has also gone up. But that \$19 million number of expenses I think is something to just ground on as we will talk later about our expenses. And, as I said, about two-thirds of that is driven by compensation. On the revenue side, which is just under £20 million in 2008, about two-thirds of that comes from contributions, and again this is basically the number of regimes that we have, whether individual contributions as in the US, whether they come from the various schemes that have been set up by countries around the world, plus the contributions that we get from the accounting firms. Obviously, the funding is something that we are very focused on; we spent a lot of time during our strategic plan on this and I will talk later about it. The other part of our funding comes from publications and obviously, to the extent that we begin to make those freely available, we see a source of our funding disappearing. And again that is something that we'll touch on later. The other ingredient that you see on the income statement, we are not free from accounting for financial instruments. Because our cost base is sterling, revenues come in, to some degree, in euros and in US dollars. We wanted to manage the currency risk so we had some forward contracts in place; basically our policy is a two-year rolling set of forward contracts against dollars and euros for sterling. We had, because of the significant moves in dollar/sterling and somewhat less, although still significant, dollar/euro, we had significant losses on a mark to market basis; we obviously expect those to come back as the contracts move towards maturity. What is important obviously, the offset of that was in the revenue base, which when reported in pounds sterling was stronger than they would otherwise be. Those are really the main drivers on the income statement. Just one quick word on the balance sheet. One thing we've obviously been very sensitive to is given the funding machine that we're operating under currently, we want to make sure that we do have some buffer to interruptions in our funding for whatever reasons. We had at the end of the year just over £30 million in a combination of cash and in investments, both short-term and long-term. I think we feel comfortable, before I get the question with the bond portfolio in terms of the individual credit risk that we've taken on in that portfolio, obviously that does give us some cushion against funding. To the extent that the organisation's cost base grows, it's going to be extremely important that we do secure the appropriate funding to continue the work that we want to see. Miranda is our Chief Financial Officer, to use the corporate term, and I'm sure she's available to answer any detailed questions you'd have and obviously I'll try and provide any overview. Do any of you have questions? So let me open it up to comments, questions, observations.

GZ Well, it's a mini budget, yes.

JM Just some information to provide from Japan, that we are moving from the [unclear] contribution system to the more levy like system. So the system is [unclear] there in charge but the preparers and auditors and also the users are equally there making the contribution directly to the foundation. But starting from next year, I think, we have made an arrangement of the sort of like collecting those levy-like fees into the foundation and the foundation is making that contribution to the foundation, so it's more efficient and more equal and fair. So I'd just like to ask that the one thing also is that this kind of fairness around they ask the location of the responsibility, or whatever, the financial responsibility, should be I think the number one principles. Because in Europe and America and Japan are the three biggest contributors for the financial resources to the foundation, so that there is a kind of fairness is a very important thing. So one of the very selfish claims is that because the three of us, America, Europe and Japan are the three biggest contributors, the satellite office also that we'd like to invite; there's a strong invitation. That's a way of expressing our intention to that two chairs.

GZ Thank you very much. This is an automatic bridge to the next subject, unless you still have something on 2008.

CM You probably know that we, in the EU, have proposed a finance IASCF in the form of operating grants, which is the format used. That means that a contribution from the general budget of the EU. Now, we have to, due to our processes in the European Council, go to the legislative processes of both the European Parliament and Council of Ministers and it has made significant progress quite recently. And it is proposed to adopt it, everything going equal. And I don't like to take for granted the things that might happen with the Parliament but with a fair wind we should adopt this in the month of April, so that should happen. And, David, that means our proposal earmarks a maximum of €5 million which is our share, Europe's share, of the total budget and it will be for the period 2011 to 2013. Why is it ending at 2013? That's the end of our current financial perspectives. Why does it start at 2011? Because the European Parliament and Ministers have made it quite clear that this particular money and everything else that it will be satisfied is that, with the changes in the corporate governance reforms that will take place, etc, that the greater transparency and other things I've spoken about earlier, that they'll all be in place. So that will mean we will have gone from kind of situation, the ad hoc arrangements, that will come straight out of the EU budget, I think, which is in the Monitoring Board's Memorandum of Understanding; it sets out this clear principle that it will be established with a non-voluntary transparent, stable funding platform from the IASCF. So we've taken that onboard. We have gone through a process and, with a fair wind, it should be through in this particular parliamentary session, which we feel we'll have fulfilled our commitment and we'd encourage, of course, others to do so as well.

BN Chairman, can I ask...? That means the individual country levies would disappear?

GZ Yes.

CM Yes, as Bryan Nicholson would know from previous matters, this was our intention for some time, that to move to this particular way of doing things, because there was all types of arguments about this and various principles involved. But in general it would be felt that anything independent comes straight out of the EU's budget that is totally independent, not dependent on what is levy or whatever on different firms or whatever. Our contribution is paid like that, so therefore the question of independence is sacrosanct and come out of the general budget of the EU. But as Alan would know very well, there is nothing more vexed than trying to get a new budget lying into anything. It is extraordinarily difficult and this took a lot of persuasion with other services, that we could move to this particular area. But it is the appropriate way to go for these type of bodies, we think, in Europe, so it will come out of the EU budget. But it starts 2011 to 2013, depending on two things, we get it through the session, hopefully this session – and I'm not taking it for granted but it might have to be other matters of the Parliament – and, secondly, the Parliament and the Ministers have made it quite clear that it's conditional on the reforms that are going through now and some other reforms that I've referred to in my earlier contribution. But it will be a stable mechanism, how you do your budget [unclear] against, and that will be, I think, that we've done our...

GZ Well, we are indeed already in the heart of the next subject, which is the funding on the long-term basis. There has been a lot of debate in the past also arguing that an organisation which is depending on voluntary contributions of some companies cannot be really independent. And it's also a debate in the US. We have seen in the past year progress in a lot of countries gradually switching over to a kind of mandatory contribution system. I'm happy to hear that in Europe things are even going faster because, at this moment in time, there are no Eastern European countries contributing anything. So also in terms of the balancing of the contributions, the contribution from the European budget which indirectly implicates every member of the European Union contribution would be, I think, a step forward. So that is good news. Well, this is a general approach we'd like to promote. Of course we are dependent on individual governments or organisations like the European Union to implement that because we have no power at all on contributions, so on the mandatory scheme in any region in the world. But it's nice to see that a lot of coordinated developments are taking place. I hope that also the Monitoring Board will be assisting us and helping us in promoting these kinds of financing schemes. Of course the US is still a big blank spot at this moment as far as the promotion of mandatory schemes, and at the same time the criticism from the US that it's not an independent organisation because the mandatory financing is not there is also rather hurt, so that's a bit of a paradox in the US in this field. I don't know what your prospects are, Mary.

MS I can't tell you I've spent a ton of time on this issue, yet I will say we support the four principles that relate out. We do believe that an independent financing scheme is really critical over the long run and, in our roadmap which is still out for comment, there are milestones related to funding. So we'll be anxious to review those comments and move forward on this issue.

GZ Any other comments on the general financing scheme? If that's not the case then we may go to... Bryan?

BN Perhaps it's not generally known within the Monitoring Group, but I chair the Education and Publications Subcommittees and we bring in about two million a year. And we have gone to

wider, free dissemination, some of the things that are done in the US. And obviously there, there is a strict interaction between decisions the Trustees might take in the education and publications area and the contribution, if that falls, that might be expected from the EU, for example. So I think that one has to keep an eye on that. And also there's the point that Juniche made that we have established in principle the view that with a set of global standards you need a base in the United States and in Japan, and clearly the things that have been raised by various Monitoring Group members in a global thing mean that you have to have more outreach and more contact, more consultation, and that has a certain price tag. So I think that those issues need to be kept on the table so there isn't any surprise on either side.

GZ If I may correct you, Sir Bryan, because we did decide that we would have something in Asia, not yet Japan.

JM A different issue. It's regarding Bryan's point. We have been discussing among ourselves that the direction of the adoption of the IFRS and paving the way lots of things seen to the adoption of the IFRS. One of the issues that we have to think about is if some preparers and somebody has to download the information from IASB, decide whatever, if it's too costly it might be that working against this adoption process for IFRS, so it's fine that you can charge some fees and things. But if it goes too much, then it might be that it's a bit, I don't know, the dampening effect on our efforts to have the adoption of the IFRS. So that's just to keep in your minds, that's it. So it's fine that you're collecting the money for establishing whatever, but you depend too much on that side; that might hinder our efforts to the approach to the adoption of the IFRS, because people are just expecting all this information, read the information, interpretations, might be able to get it charged free, which is not the case. So that's it.

TS Just to clarify though, we do waive our copyright at any jurisdiction that adopts the standards. The question is whether the amount of material we waive the copyright on is sufficient. And if we waive it on the non-mandatory parts and make the non-mandatory parts freely available, will that impact the ability to finance the organisation? And that's the discussion. But together with the European Union, we've made the materials, the standards freely available and that has never been an impediment to adoption and in a number of countries, we provide the whole standards available for people, IP base. One of the issues we face is protecting the copyright and protecting the brand. So we balance those two out, but we don't want copyright issues and the cost of accessing the standards to be the impediment to adoption of the standards. I think we've been quite pragmatic in the way we've dealt with them. I think the ultimate goal may be to make everything freely available in some form on the website and make a formatted bound volume or something touchable.

GZ Okay, thanks. Sam?

SD Mr Chairman, just to point out maybe a statement of the obvious, but the big firms, the big four firms, are the largest contributors to the organisation and do so with a lot of commitment to the standards, but have no great pride in being the largest contributors, and in fact are extraordinarily sensitive to the fact that some people suggest that that gives undue influence. And the big firms work very hard to not have undue influence and it would be very welcome to find a world where there was funding that left the firms totally out of that process, not because of

the money, because the money is not that worrisome; it's the impression that can be made. And so the large firms, including the BDO and Grant Thornton, are huge supporters, both in sterling and in time, proud to be supporters, but would love to be left out of the process so they wouldn't be criticised for influence.

GZ For the time being we thank you. Now we go to a five-year plan. It used to be there in the Soviet Union, but it's also here. And David will introduce us into the five-year plan.

DS And this is material which is co-defining resource requirements for global standards setter, this deck, and again this is a document prepared by Miranda and her team. Let me just give a high level overview before Miranda picks up. As a Trustee group, we were very focused when we performed our strategic review in 2007 in making sure that we understood what it was going to take to be a global standards setter where IFRS was the one global standard. And we recognised that we needed to understand the commitment that were going to need to make over more than just the upcoming year. We didn't want it to remain focused just on the next year's budget, but to really understand what the resource needs were. And, by that, we were talking about the number of people that we need in the organisation, as I referred to earlier, that's the biggest driver of our cost, the cost of outreach, including travel. And then I think, very importantly, and this is a large part of where Miranda's been spending her time, what is the infrastructural needs of this organisation? We've talked a little bit about opening satellite offices. That obviously drives significant changes in the way I think infrastructure operates and that is a cost that we have factored in here. You can see, as you look at this, that from a funding perspective we remain true to what has been our funding plans to date. Obviously, to the extent that we see a need to increase the level of resources, it's going to be necessary for us to increase our funding if we're going to be able to meet the needs that we believe are there in terms of resources. In terms of snapshot, you can see we've moved over to dollars from sterling here, but you can see on the slides the expenditure base that we're talking about from the standards setting perspective for 2009 budget and then, as you move down into the later years, you can see there's a bit of a step-up that has occurred in '08. And we'd expect that step-up to continue through this, '10, '11 period as we increase our resources. Having said that, let me ask Miranda to pick up and talk a little bit more in detail of how this plan was pulled together.

MC Thank you, David. Well, just to give you some background, obviously we've talked about our goal of being a single standards setter. So we have two main public interest streams which I think you've heard about today, the standards setting and related activities stream, and XBRL. At the moment we finance those activities through a combination of national and regional funding regimes, interest on deposits – we've talked about the fact that we make our reserves work hard for us - and also publications and related activities. And Sir Bryan's mentioned the risk of that particular income stream. So that's how we finance today. In terms of our financial snapshot, you've had a look at the financial statements. This table on page five does not show the publications and related activity income. We tend to look at that as net income, as a net contribution, so we have revenue of circa six million and expenses of circa three million. We look at that as a net contribution. And we wanted to focus on the core standard setting activities for this particular initiative. We've also split out the XBRL activity and I will come back to that. So looking at slide six in terms of the growth of the organisation, as we look at our role as a global standards setter, it's clear that we need to continue to build our

infrastructure. We are a relatively small organisation, 100 people is not a lot of people and that's where we are today. We need to be able to deliver on our commitments in terms of standard setting and both of those factors, the standard setting initiatives and the strengthening of our infrastructure, mean that we need to resource up. So over the five years we're looking at taking our headcount from 100 to 140 and that's both in the technical team, but also in the support team. And that, as David mentioned, has a big driver on our cost base because 70% odd of our cost base relates to our human resource cost, and I've laid that out on slide six. I don't propose to go through that in detail, but you can see a big step-up between '08 and '09 as we take on resources to deliver these really stretching standard setting commitments that we've got and then, in '10 to enable us to get to a position where we are able to deliver true global standard setting. So the resources we mentioned briefly on slide seven, that they fall into two groups and also I have mentioned that our remuneration budget is set annually; that's done by the Trustees with the Remuneration Committee. And for this plan we've just taken a 2.5% inflation factor, so fairly vanilla. In terms of infrastructure itself, moving onto slide eight, the office costs – we are based at 30 Cannon Street in London – they're broadly fixed. We've signed a lease; we don't expect to have massive space expansion and therefore that's a reasonable certain cost. However, as has been mentioned, there is a desire to set up satellite offices in North America and in Asia and that is to enable us to really have a strong presence and to be able to perform our global outreach effectively. And the objective there is to do that within the next 12 to 18 months ideally, but we're looking for support in those initiatives. So you'll see the cost of that going into our infrastructure. I think, importantly, we've also been trying to professionalise our organisation and build a sustainable infrastructure for an organisation that is now 150 people, and so we've been looking at things like our technology and working out how we get to a sustainable position. We're not talking about spending a lot of money there; but we're talking about making it robust enough to enable people to operate effectively and efficiently within the business. And I think there's a natural cycle of having to replace some of that, which hopefully you're familiar with. In terms of outreach - this is slide nine - you can see that our cost base there is increasing both in terms of ensuring that we've got sufficient and significant global outreach across the different jurisdictions in which we operate. Also there are some costs associated which is supporting the business in terms of professional services costs and you can see an upward trend there. And David mentioned the need for travel; we are committed to making sure that we get out and speak to people and that we run our meetings in different places, and therefore we have a fairly significant travel budget and I would expect that to continue. I think the pressure for us to be out there talking with people, meeting with people and making sure we're engaging is only going to continue, and we manage that very effectively as an organisation. It's an area we're concerned about making sure we're efficient on, but there is a need and that need is going to continue. On XBRL we clearly have been very actively involved in the IFRS taxonomy development. At this stage there are discussions about how that role is taken forward and whether the role of the IASCF is extended; but as it's still early days with the Trustees, we've worked on the basis that our expenditure will stay on an existing provision, rather than an extension. If it is decided that we are going to change the provision of XBRL and potentially go to the extensions, we then need to look at the cost base and also how we are going to fund that. And I think that's a separate point which is not addressed here at the moment. So that's a fairly quick canter through the expenses. I think they are relatively straightforward and I think the point really is that there is a step-up; that step-up is to both enable us to get the standards delivered in an effective and timely

fashion, but also to have an infrastructure that supports that in a professional and world-class fashion.

TS Yes, so how do we finance it? You see that slides 12 and 13 discuss about where we are from the contribution standpoint and, I think as part of the report you received as the Annual Report on the agenda paper 2C, it discusses the current state of our financing initiative. There's a couple of things to say about our funding initiative. One is that we have, from a largely voluntary scheme that we were in from 2001 to 2005, made significant progress to levy-like broad based funded systems that are not dependent upon individual company contributions. I think that the real exception may be the United States in this regard. The accounting firms contribute now less than 25% of the overall budget and I think that is a reflection of our efforts to have broad based funding regimes in a number of jurisdictions. But it has been jurisdiction based. We don't assume great expansion in this for the purpose of this exercise. There are a few new funded regimes that will work on going live in the next couple of years. Canada, this year, has covered that board; the French have established a new funding scheme for this year with the sponsorship of the Ministry of Finance. We're working closely with Israel on a funding machine, but it's been gradual, so that's why you see a fixed amount for 2010 and beyond. It doesn't reflect any real big growth in it; the change really reflects the depreciation of sterling, to some extent, it's been a big step-up. Plus we raised money in dollars, Euros, that's been fixed, and then we've had an increase in the sterling percentage. If you see, though, if we're going to make the step-up, organisational resources, we have a funding gap to fill. Some of that gap could be filled with publications, but not all of that, and we're going from an organisation of a £19 million expenditure to one based on £23 million and we have to figure out a way to cover that gap. And there's two things in terms of our long-term financing. Largely, we agreed static amounts for each country; we didn't have any increases for inflation in the initial round of this new long-term financing procedure, which is 2008 to 2011 commitment to be largely received. So we have to figure out a way possibly in terms of oversight as well, how we built it, increases it to future levies in the future, how we deal with the inflation within the organisation. And then the second thing is in areas where we have yet to establish funding machines at a sufficient level. We have to complete that work. And this is a question that the Trustees will have to assess, whether we're in the position to make the step up in our resource expansion, if we don't have the finances already committed. The other thing is, we've talked a little bit about the exchange rate risk. The real risk is that, from an exchange rate standpoint, we try to deal with it through hedges. You see in the financials for this year that we have forward contracts on all the contribution. The idea is that to be risk averse like that, commit, fix the sterling about where our expenditure is and tie that in right away, once we have a firm commitment for it two years out. And so really what we have to figure out is if it's perceived as necessary to bring us to what we think is required to become a global standards setter, how we fill that gap going forward in the next couple of years. I think the timing is relatively urgent giving considerations to some jurisdictions and we have to figure out the mechanism for increasing going forward.

GZ Okay. Juniche?

JM Just a technical question. Thank you, Miranda. Having heard your explanation that this might be a bit difficult unless you have some extra funding resources, it might be difficult to increase the staff of the XBRL budget. Is that the correct understanding? Yes, it's quite

understandable that looking at the five-year plan by 2013 that the technical staff will be increased from 44 to 65. Operation will be increased from 28 to 40. However, the XBRL is increased only from four to five, so I'm afraid to say there must be some room for manoeuvre to really locate the kind of thing so that I really hope that the Trustee members can discuss this issue slightly more further. That's all I would like to say, thank you.

GZ Thanks. Any other...? Aki?

AF I think if you look at the paper, it would be 2C, the least of the participants for funding. If those lists are comprehensive, a complete list, then I was somewhat surprised, only in terms of number of country, only 17 countries are paying dues. So this is very, very small number because we are (unclear) of the disseminating efforts to worldwide and more than 100 countries are using efforts, but only 17 countries are paying dues. So I think we need to take some urgent action to implement some sort of system to get money from worldwide.

TS Thank you, Aki. I think that's right. The only thing is that some countries give it through their central banks and I think we have 29 central banks that include a number of smaller economies. So the likelihood of going beyond the \$10,000 contribution from a very tiny economy that gives through a central bank is probably not great. I think the point is well taken that we haven't quite got into the broad spread. Of course, if the European Union goes to a budget item that actually 27 countries within the European Union and we gradually expanded, but we've largely been limited to where we've had Trustees on the organisation because that's been the place where we've had influence to convince regulators in the home jurisdictions.

GZ Any other questions, remarks on the five-year plan? If that's not the case then we go to the procedure of Trustee appointments and nominations. Bertrand, can I give you the floor? There is already a very concise paper.

BC There is one responsibility of the Monitoring Committee which is not discussed here, which is to appoint Board members, which obviously is a big part of the responsibility of Trustees. But here we speak about the process of Trustee appointments so we've been trying to follow what had been discussed in a Memorandum of Understanding with the Monitoring Board with the idea that the Monitoring Board could input some candidates for Trustees and also that the Monitoring Board has the right to decide finally on Trustees' appointment. So, for that reason, the process is being described as it is here, which is normally we have a certain number of Trustees up for reappointment. We first look whether the Trustees would like to reappoint those Trustees who can be reappointed because we have obviously a term limit in the constitution. And then we would submit to the Monitoring Board the idea that the Trustees are minded to reappoint Mr X, Y and Z if the Monitoring Board agrees they are being reappointed. If the Monitoring Board doesn't agree, then we add those seats to the number of open seats where outgoing Trustees cannot be reappointed, and then we go through an advertisement procedure, like we normally do, and we would have three processes, a formal advertisement which we do in The Economist; we would ask the Monitoring Board to tell us if there are nominations coming from the Monitoring Board and we will also write to stakeholders in the various countries where we are looking for Trustees to ask them for nominations. And we would do that in April or May each year and, after that, in June, we would draw up a short list of

candidates and we would do background research. And in July the monitoring committee would make a recommendation to the full Trustees and the Trustees would approve or modify this proposal and then we would give this proposal, present nominations to the Monitoring Board for consideration. And we would hope that the Monitoring Board could react in such a way that by September, October at the latest we could have final appointments so that new Trustees or reappointed Trustees could take office at the beginning of the year. Because the terms of Trustees are ending at the each of civil year. So that is what we are proposing here and the first application this year would be the fact that there are six outgoing Trustees, two of whom are not really up for appointments, and four are eligible; the Trustees are considering reappointing them. So we will formally ask you for your approval for these reappointments first. So we would formally tell you that there are two openings, for which we'll seek nomination in April and May and go through this process, with final appointment by the Monitoring Board in September, October at the latest. That is what we are suggesting.

HH Thank you. I think that sounds, in principle, agreeable to me. In terms of reappointments we would of course look at that, but we would feel, especially since we are talking about four people, no great urge to personally meet them as we are meeting you here. But in terms of new appointments, I think it would be good if we had a chance, if the nominees would come from your side instead of ours, that we would have a chance to meet with them. We are planning to meet again during your next meeting in Amsterdam on 7th July so I think that would fit in with your schedules that we might be able to meet them then.

GZ We can also go together on a boat through the canals.

HH Absolutely.

BC If you wish to meet the Trustees' candidates nominated by us in July, then we should move a little bit our schedule because our initial plan was that in July we would decide who we wanted to nominate and communicate the nomination to you, so that would be...

GZ Let's take a look at that, how we could fit it in. Obviously, it's not possible for us to meet more than two or three times a year.

BC No, sure. It's okay.

HH So we can discuss this further. This is how we would like to go about it.

GZ Charlie?

CM The time schedule would be more in keeping with our particular position, as well as if we do it like the way that he was suggesting originally, even though there was a lot of merit about what Hans has just said. I think we could adopt that and I'll tell you why in a moment. We welcome the active role of the Monitoring Board play in the appointment of Trustees; this is part of the agreement, etc, etc. But I must remember that I have to reserve the EU's position since the European stakeholders, particularly the European Parliament and the Member States, they have to be consulted before a position about the reappointment of Trustees can be diversified by me.

This is the agreement we are going to have with the European Parliament and the Member States. So therefore I am not in a position to give authenticity, if that's the appropriate English for this particular procedure, even though I don't foresee any great difficulties in moving in a practical way. But I must put that particular mark otherwise I'll be not inline the mandate given to me as the agreement I have with our stakeholders. And Bertrand Collomb's timeline kind of appeals to us, as it appeals to me, is that this year there are the European Parliamentary elections in June, before the relevant committees that have to be set up and it will fit in, I think, quite nicely with what Mr Collomb has outlined at that particular timescale. So I think I just had to put that particular marker. If I don't, I'll be in trouble back home.

PL Charlie, could I just pursue that with you a little? I don't think – I can be corrected – that we understood that was going to be the European approach and I guess one of the things that we really were concerned about when we were going through dealing with the MoU and working out this relationship was that we were comfortable with the Monitoring Group having the right to turn us down or to turn down a Trustee appointment, even though we weren't happy out it, very honestly, because I think one of the things we did do well is pick Trustees. And we didn't want to politicise it and we never have. So I guess I must say – I speak for myself – I can't speak for the Trustees and this is the first I've heard of it – I guess I'm a little concerned we now have multi levels of approval and I think that will cause a lot of unhappiness and will not be in the best interests of the organisation.

AV If I may just to complement... and with the spirit of the frankness that has been called upon by Hans and Gerrit, there are other areas where you feel your mandate within the Monitoring Group is limited to the subsequent approval from the Parliament?

CM Yes. Like I have to have a working relationship with the people who give me my powers and, in our process about how we do this, the whole process with the IASB and IFRS, it is determined by what the Council of Ministers and the European Parliament give me a right to do. We are not, as people might know, a government, the European Commission. It's not like, say, the Japanese Government or the FSA come along and make a decision on just whatever they have decided in the Japanese authority. I'm not too sure; there was an issue vis-à-vis the United States as to how they report back, but I'm quite clear as to my powers in this particular guard, is that I will have to have a relationship with the Parliament and the Council of Ministers in particular. Now, I'm not anticipating any kind of difficulties at this stage, but you never know how this will go, so I can't just come along here and say is the way it's going to be because our understanding of what's been agreed, how this Monitoring Board works, it's not an automatic right for just the Trustees to be given just there, otherwise there's no point in having a role in the Monitoring Board, let's be clear about that.

GZ That's not the issue. We understand that you can have a grudge against one of the Trustees; we try to reappoint and then you can, as a Monitoring Board, say no. But what is now here at stake is whether you are, as a Monitoring Board, as a group, able to say yes or no or that you have to go back to Parliament. And going back to Parliament makes the whole procedure far more complicated and not really what we had in mind.

CM In the agreement that we have it will have to be approved by the European Parliament, like all these things are... like this is all part of a new kind of process. And it's not that I anticipate that there will be big debates about this, but there will have to be, at least in the European Parliament, they will have to be consulted and so also the Member States.

GZ Is that consultation or approval?

CM This has to be more or less worked out as to which way we're going here, but we can't just give an automatic and we just go forward, I can come along here as part of the Monitoring Board and say, oh, yes, it suits that individual, that suits me grand and that's okay. I'm not in the luxurious position of being able to do that.

HH I must say that the European Parliament is now getting more powers than our regular national parliament, because a nomination like this, there is no way it would come close to a national parliament.

CM Well, just to make it clear anyway, funnily enough they are elected and what has happened in a few years is that the powers of the European Parliament have been increased and increased, and that's been agreed to by heads of government. And some countries have had referendums on these particular issues but, in case it hasn't been noticed by other people, the powers of the European Parliament that exist in 2009 is a long way different from the powers of the European Parliament that existed in 1999 when I was sitting around the Finance Minister's table initially. It has changed and each successive adjustment in the three years has given more and more powers to the European Parliament and that has been agreed by all countries by the ratification process, and some countries by way of referendum. That has become increasingly the position and it has to be respected.

HH This particular approval power is not enshrined in a treaty or something? This is an agreement you made bilaterally with the Parliament, I suppose?

CM The way we arrive at any decision now in these consultations, most things that are done now in these consultations, at least with the European Parliament, there are certain things that are reserves of the Commission, but anything that implies consultation, they have to be consulted. And we have to go through the process of consultation and then make a final decision after consulting them as to what we are going to do. But we must have the consultation process first.

GZ Luigi?

LS Shouldn't we draw a distinction? I seem to remember that in the MoU the European Parliament is not mentioned as a party. The party in the agreement which you signed, Chairman, and the others have signed, is with the European Commission. And then what the European Commission wants to do is something which doesn't concern us. If they have to go to the European Parliament or not, it's not in the MoU. I don't think you've ever signed an MoU where the two words, European Parliament, were mentioned.

CM We could take this kind of logic to the extreme and I point out this. Under the agreed ratification process in the European Union regarding IFRS standards, we in Europe are not in a position to commission; we only adopt them after agreement with the European Parliament. We can't amend them; we can either adopt them or reject them. So it should be born in mind that the powerful role that the European Parliament has regarding all the IFRS standards, they have that particular power and that is there. Also, and this should be of use to anyone who has sat as a council minister, it's the European Parliament that agrees the budget line and the money in all areas, not an insignificant power, may I just point out, not only in here but in all areas. So I'd just like to point that out.

GZ I see it as something for information, who you think you are going to consult, maybe some others consult somebody else, before they make a decision in the Monitoring Board. We, from the point of view of Trustees, we do business with the Monitoring Board and how individual members of the Monitoring Board come to their decision is up to the Monitoring Board and the individual members, I think. So I see it as a matter of politeness and frankness that you're telling us how you will come to your decision. And thank you for that.

PL I would like not to be as much of a gentleman as our Chairman. One of the things that this Trustee group cared very much about was the politicisation of this process, and I must say, I just speak for myself because this is the first time I've heard it, I think this is a step in the wrong direction; I think it's a step that other countries will not be happy with outside the European Union. I realise the EU's been our biggest supporter in the beginning and we accept that. We accept the fact that Parliament has the right of veto, even though I think it's inappropriate, but I think this is a challenge that a number of us would not have agreed to if we understood that that was part of the process that you, Charlie, and your successor – I realise you're not going to be here, we're going to be dealing with somebody else and we don't know who that is. So that gives me great concern too. But you, and now your successor, are really intermediaries between us and the Parliament, and I think that's not what we signed up for. I think we signed up for a Monitoring Board that would be independent individuals who would not represent some other group, but representing themselves. And I think the others are in that boat. I may be wrong, and I don't know the politics in each country, but to openly accept that that's the process, I think is very disappointing and I would imagine... I don't want anybody else to talk in favour of what I'm saying because I don't want to do that, but I think it's something we all should be thinking about because I think it is really not what we expected.

GZ Oscar and then Bertrand?

OF Well, I guess I would like to add a short comment on this concern that Phillip has raised. I think that from the point of view of identifying and recruiting people for the Trustees, it could be very different if they have to be subject to a Parliament scrutiny, public scrutiny, that if they are just appointed by a group in a private process of discussion and knowledge. There's a lot of people that will be not happy maybe to pass public and parliamentary analysis, and I think this could be quite important in order to attract certain types of people.

CB Just to understand the infrastructure you return Parliament to approve. Does this only relate to European representatives or to the representatives of North America? Because we are originally diversified so it's just for clarification purposes, what they want to decide.

GZ Bertrand and then Charlie.

BC Well, I certainly agree with what my fellow Trustees have said, that approval by Parliament is certainly not part of what we had in mind, and I would even say is not practical. But we have to respect, as the Chairman said, the members of the Monitoring Board can consult whatever they want. I would suggest that if we have this problem, at least the Monitoring Board sets up a very precise time limit for its consultation and for its decisions because the problem I see is a very practical problem of us not being able to deal with the appointment of Trustees at the end of 2008. Unless we start with a process which is streamlined, reappointment of existing Trustees is something that has to be dealt with first and until we know whether the Monitoring Board agrees on reappointment, we don't know whether we need to look for new Trustees or not. So until we know that, we cannot do advertisement or anything else and then, of course, for the new Trustees, we need to make sure that the period that the Monitoring Board would take to confirm or affirm the appointment is going to be set in a way that doesn't allow the end of the year not having any decision.

AV I just want to go back to the prior question about the mandate of the representative of the European Commission, whether it's only limited or subordinated to the Parliament approval when it comes to nomination of new members, or whether other types of decision or any decision has to go through ratification, through discussion, whatever it is. Because that is very important. If you're talking about an exception or if we're talking about a modus operandi. And we will like to know, I guess, what the other members of the Monitoring Board would like to know.

CM You see, this is a consultation process and in the case of the vacancy for European Trustee, that is agreed with the European Parliament that we will formally consult with the European Parliament and the European Member States about possible nominees for the Trustee position. It's not a scrutiny situation or a position like what they have in the United States appointments to the SEC or various other positions like that. It's not like that. They were going to have to consult with them and it will be on a formal basis; I wouldn't like to have the situation where people would be afraid of putting a name forward for the Monitoring Board if they thought they had to go through all this procedure. They're not going to be brought before the European Parliament but we, as the Commission, are going to have to consult with the European Parliament and the Member States about this. Also, it's been agreed with the European Parliament that we will consult and give them notice of, as we've done for this meeting, a notice of the agenda of the Monitoring Board as well. We've done that as well with the European Parliament and they're also aware of that. So it's the way we operate vis-à-vis the European Parliament and, for obvious reasons, it's important that we have a working relationship with them on behalf of the Commission, otherwise if we don't have that we're going to get stymied in a whole variety of areas immediately and way into the future as well. So Gerrit would know this from dealing me a long time, I'm a pragmatist and a realist in this situation. This is the situation in which we have to operate, I have to operate like this, my successor has to operate like this.

People can form their own opinions whether I like it or whether I don't, but that is the situation. It's like complaining about the weather, like there's not much use in doing it and I come from a country where people spend all their daily lives speaking about the weather. Just accept it, it's reality.

GZ Well, what I would like to propose is that within the Monitoring Group Charlie gives us an opportunity to look at the legal technicalities of this, how problematic this could be, and then we look into the whole procedure, how this could fit in. And probably Charlie does not anticipate big problems; should big problems result, then it will have to be revisited but let's see if we can get this started in a workable way.

GZ I understand that it's only European candidates, except the question is still if it's a European candidate from a non-EU country, we still have non-EU countries too, like Norway, Switzerland, to mention two, is that also under the scrutiny of the European Parliament?

CM [inaudible] the Member States because they're non members of the EU 27. So some of these countries, as Gerrit would know... another relationship with the European Union. The EEA is the official title for it, but that wouldn't be the situation. Look, we have to operate with the European Parliament and depending on who's going to be... There'll be a new European Parliament; there may be new people in situ in the positions in the European Parliament which are not the same as the people now. I don't know. So they might take a different view. But this is the modus operandi in which I and my successors would have to operate. As Gerrit would have pointed out earlier in this debate, okay, I could have come along to this meeting and said, oh, look, gentlemen, ladies, whatever you put forward will be all right by me and I'll come here and I'll just say, ah, yes, that's grand. That would not be the situation and I'm not in a position to do it like that. And we might as well face the facts today than face the facts somewhere in the future when this would be held up. I don't anticipate it, hopefully it won't.

HH My appointment as Chair of the Authority Financial Markets, Dutch Parliament had absolutely nothing to do with it. I must say that the European Parliament is really getting out of hand.

BC It's not a decision that each member of the Monitoring Board is taking. It's a decision that the Monitoring Board collectively is taking, so I'm a little bit surprised by the position that the Commissioner is taking. But anyway, that's his responsibility, not mine. I just would like to ask a very practical question. There is going to be an extended period of time where there is going to be no Commission and no Parliament this year, at least a new Parliament and a new Commission. Can we consider that this is an *affaire courante*, as we say in French, so that Commissioner can take a position even if there is no parliament, the new parliament is not in session? Because I don't see how we can time it otherwise. When is the new parliament going to be in full operations?

CM As and from the date of the European elections. We're not finishing. We never cease. There is never a position, time when there is no European Commission, nor is there a time when there is no European Parliament. What has happened is that since 1999 we have put the positions co-terminus. Previous to that the European Commission positions lasted for four years

and they were completely out of sync with the Parliament who had a cycle of every five years. And back in 1993 or thereabouts the Commission from '88 to '92, which is four years, was extended for '93 to the end of '94 to make it more or less co-terminus with the parliamentary elections. Now the parliamentary elections are held in June each year, but this Commission doesn't finish until 31st October. So the new Parliament will take up situation in June; they will reform their committees, they'll be operational; this Commission should finish on 31st October but, for a variety of reasons, not least being the vote of my compatriots in Ireland by way of referendum, it is not that clear whether this Commission might have to be extended in a caretaker capacity for a period of time. There are thousands of lawyers making absolute fortunes at the moment giving contradicting legal opinions as to what it's going to be but that's how lawyers make money whether there's good times or bad. I wish them all and hope they have better holidays this year than they had last year. But it will mean that there'll be a new parliament, they adopt their committees in July if they will, so therefore we'll still be consulting with the Parliament. And this Commission will be in situ at least until 31st October, maybe a bit longer, but if not there'll be a new commission. It won't make any difference. The Parliament will put its new chair of the relevant committee, which is the ecofin committee in place in July. They'll be operational in committees so there won't be any period where there'll be nobody to consult. There will be a Commission, me and my successor, there'll be a parliament and there'll be the econ committee, so there'll be no difficulty like that.

GZ Thank you. I think we can close this subject now. I think we can all agree with the procedure which is put forward and we take note of the consultation procedure the Commissioner intends to have.

MP And we have a challenge. We have to assure the rest of the world that anybody who is not European will not be subject to European Parliament procedure, because we have committed to the rest of the world that we have an independent process for selection of Trustees. And people submit themselves to the selection process because they believe it is independent and there's a proper process and national governments do not interfere when candidates from various countries come forward. But we have to assure the rest of the world; others' credibility is at stake.

GZ I think the Commissioner was rather clear that his concern for special consultation with the Parliament will only relate to European candidates.

LS In addition perhaps to assuage the worries, it's quite clear that the European Parliament can say no or yes, so whatever the Commissioner says, but it cannot, in any way, presume to give advice and consent to the whole of the Monitoring Board. So it will condition simply [overtalking] expression of the European Commission member of the Monitoring Board, which is a collective, which is not subject to advice and concerns.

GZ We have a slight problem here because we have consensus decision making.. I don't think it would be fair if the European Parliament de facto gets a veto power.

CM Maybe this has been misunderstood. That is not going to be the position. The Commissioner is going to have to consult with the European Parliament; hopefully there will be

agreement with them. If there's not, then the Commissioner will have to make his decision having consulted. There has to be the consultation process.

GZ He has to decide whether he wants to run the risk of a clash with the European Parliament or not.

CM Gerrit has put it in a nutshell.

GZ Well, that gives more freedom as a member of the Monitoring Board than I feared, so that's good that this has become clear. So it's now time for a break and we have no smokers left in this group, but nevertheless we have to have a break. For three months I didn't smoke.