

The LIAJ's Comments on the IASCF Discussion Document
Part 2 of the Constitution Review
Proposals for Enhanced Public Accountability

We, The Life Insurance Association of Japan (LIAJ), would like to express our greatest respect to the International Accounting Standards Committee Foundation (IASCF) and the International Accounting Standards Board (IASB) for their continuing efforts to develop a single set of high quality and global accounting standards, and also would like to extend our gratitude for providing us with an opportunity to submit our comments on the discussion document, *Part 2 of the Constitution Review - Proposals for Enhanced Public Accountability*.

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

We believe that most of the proposals in the document are helping to make a steady progress towards the achievement of the IASCF's objective and thus we basically support the overall direction of these proposals. However, as we still have concerns about some proposals, in particular the introduction of the accelerated fast-track due process, we would like to make the following comments on the questions below.

Question 4

The Trustees seek views on the proposal to amend section 3 of the Constitution as follows:

The governance of the ~~IASC~~ IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. A Monitoring Board (described further in sections 18–23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they ~~are empowered to~~ may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of ~~all~~ the Trustees.

Do you support this clarifying amendment?

1. We are in support of this amendment as we believe that the role of the Monitoring Board will be beneficial in enhancing the accountability of the IASCF and the IASB.
2. We understand that Part 1 of the Constitution Review dealt with the selection of the Monitoring Board members. However, as we have already recommended in our responses to the previous review, we believe the IASCF needs to work more closely with the regulators responsible for financial stability and systemic risk. Regarding issues concerning insurance accounting and regulation, the highest level of discussion between the IASCF and insurance regulators is needed. Therefore, we recommend that the Monitoring Board should also include the Chair of the Executive Committee of the International Association of Insurance Supervisors (IAIS) as a formal observer.

Question 5

The Trustees seek views on the proposal to amend section 6 of the Constitution as follows to include one Trustee from each of Africa and South America:

All Trustees shall be required to show a firm commitment to the IFRS ~~IASC~~ Foundation and the IFRS Board ~~IASB~~ as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global ~~accounting~~ financial reporting standards developed for use in the world's capital markets and by other users. The mix of Trustees shall broadly reflect the world's capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:

- (a) six Trustees appointed from the Asia/Oceania region;
- (b) six Trustees appointed from Europe;
- (c) six Trustees appointed from North America; ~~and~~
- (d) one Trustee appointed from Africa;
- (e) one Trustee appointed from South America; and
- (f) ~~(d) two~~ four Trustees appointed from any area, subject to maintaining ~~establishing~~ overall geographical balance.

Do you support the specific recognition of Africa and South America?

3. We have no particular recommendations about the geographical allocations. However we would like to emphasise that the need for overall balance in the composition of the Trustees, such as geographical location, developing and emerging market representation, the size of capital markets, and technical perspective (preparers, auditors and users) is as important as the geographical balance.

Question 6

The Trustees seek views on the proposal to amend section 10 of the Constitution as follows to allow up to two Trustees to be appointed as vice-chairmen of the Trustees.

The Chairman of the Trustees, and up to two Vice-Chairmen, shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. With the agreement of the Trustees, regardless of prior service as a Trustee, the appointee may serve as the Chairman or a Vice-Chairman for a term of three years, renewable once, from the date of appointment as Chairman or Vice-Chairman.

Do you support the constitutional language providing for up to two Vice-Chairmen?

4. We believe that if the Trustees appoint a Vice-Chairman, his/her role needs to be expressly stated in the Constitution, as with the role of the Vice-Chairmen of the IASB.

Question 7

The Trustees seek views on the proposal to make no specific amendments to sections 13 and 15, but to address the valid and important concerns raised by commentators by way of enhanced accountability, consultation, reporting and ongoing internal due process improvements.

5. We support the proposal, but insist that the commentators' concerns continue to be addressed as a priority. Specifically, we believe the Trustees should continue to improve the due process, in particular by ensuring transparency and undertaking field tests, as we urged the Trustees in our comments on the previous constitution review.

Question 8

Section 28 would be amended as follows:

The ~~IASB~~ IFRS Board will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters and other official bodies ~~concerned~~ with an interest in standard-setting in order to assist in the development of IFRSs and to promote the convergence of national accounting standards and ~~International Accounting Standards and International Financial Reporting Standards~~ IFRSs.

Do you support the changes aimed at encouraging liaison with a broad range of official organisations with an interest in accounting standard-setting?

6. We support the proposed changes as we believe that liaison with a broad range of related parties is very important in developing accounting standards. In particular, when the use of IFRSs for regulating insurance companies' accounting is being considered, we feel the highest-level of consultations between the IASB and the IAIS are necessary.
7. In addition, if the IASB is considering creating regional offices and stationing some IASB members or staff in the Asia-Pacific area, in order to increase liaison with all interested parties, we would like to urge the IASB to set up a regional office in Tokyo. We are convinced locating an office in Tokyo would be of real benefit and a great help in the adoption of the IFRSs in Japan.

Question 11

The Trustees seek views on the proposal to insert in section 37 (to become section 38) of the Constitution an additional subsection as follows to allow the Trustees, in exceptional circumstances, to authorise a shorter due process period. Authority would be given only after the IASB had made a formal request. The due process periods could be reduced but never dispensed with completely.

The IASB IFRS Board shall:

(a) ...

(b) ...

(c) in exceptional circumstances, and only after formally requesting and receiving prior approval from the Trustees, reduce, but not eliminate, the period of public comment on an exposure draft below that described as the minimum in the Due Process Handbook.

8. We believe that accounting standards need to be developed according to the strict due process. It is important to ensure that all those affected globally are provided with sufficient time to review and comment on the IASB's proposals and that the IASB is never influenced by one region or party's opinions in particular.
9. When amending existing IFRSs or adopting new guidance, we believe a shorter period of due process should not be allowed. It is in times of crisis that a deliberate and well-thought out approach is most needed. Hasty decisions are likely to exacerbate the problem, not fix it. We believe that the IASB should establish and maintain due process procedures to allow for full review and discussion before adopting new accounting standards or amending the standards. Especially for those whose mother tongue is not English, sufficient time needs to be given to translate the IASB's proposals into other languages. Accordingly, we are opposed to the accelerated fast-track due process proposals.