

# IFRS Foundation Monitoring Board

Press release

1 March 2013

## **Monitoring Board finalizes assessment approach for membership criteria and announces Chair selection**

*Tokyo, Japan, 1 March 2013* - The Monitoring Board today announced the outcomes of its meeting held on 6 February in Brussels. The Monitoring Board met with IFRS Foundation Chairman Michel Prada to discuss Foundation funding and the creation of the Accounting Standards Advisory Forum. Separately, the Monitoring Board agreed on its approach to assess current and prospective members against the membership criteria, as contemplated following its Governance Review of the IFRS Foundation, and selected its Chair.

### **APPROACH TO ASSESSING MEMBERSHIP**

The Monitoring Board published [a final report on the review of the IFRS Foundation's governance on 9 February 2012](#). The report identified a number of enhancements to the governance framework and included an action plan for their implementation. The decision to expand the Monitoring Board's membership and begin periodic assessment of members against the Monitoring Board's membership criteria required further development of an evaluation process and assessment measures, which were finalized at the Monitoring Board's 6 February 2013 meeting.

The governance review affirmed the criterion that a member must be a capital markets authority responsible for setting the form and content of financial reporting in its jurisdiction. The original criterion that members must be committed to supporting the development of high quality international accounting standards was elaborated by requiring that a member's commitment be demonstrated by the use of IFRSs in the jurisdiction's capital markets and participation by the jurisdiction in Foundation funding.

In evaluating the use of IFRSs, the Monitoring Board agreed that the member's commitment to international accounting standards should be evidenced by the jurisdiction mandating or permitting the use of IFRS. Further, such use should result in prominent application of IFRSs in the relevant market.

The Monitoring Board also acknowledged that, historically, the use of IFRSs was motivated by an interest in facilitating capital-raising on a cross-border basis. However, the Monitoring Board anticipates, over time, a more prominent role for IFRSs in domestic reporting regimes. Accordingly, beginning with the 2016 periodic review of members against the membership criteria, the Monitoring Board will evaluate the mechanisms used in member jurisdictions to integrate IFRSs into the reporting regimes

for domestic issuers and the extent to which they contribute to the prominence of IFRSs in the member's capital market.

The Monitoring Board agreed on the following main points regarding assessment of members against the membership criterion regarding the use of IFRSs and for assessment processes and consequences of not meeting the membership criteria.

### **Use of IFRSs:**

#### *General*

- (a) The jurisdiction has made a clear commitment to moving towards application of IFRSs and promoting global acceptance of a single set of high quality international accounting standards as the final goal. This commitment is evidenced by the jurisdiction mandating or permitting application of IFRSs to consolidated financial statements of companies raising capital in its relevant market with the effect of actually exhibiting prominence of IFRS application, or having made a decision on a transition to such a status to take place in a reasonable period of time.
- (b) The IFRSs to be applied should be essentially aligned with IFRSs developed by the IASB, with possible exceptions limited to cases where certain standards or parts thereof are not relevant for economic or other conditions or could be contrary to public interest in the jurisdiction. Any flaw in following due process in developing certain standards or parts thereof could also allow for exceptions or temporary suspensions.

#### *Quantitative elements*

- (c) The jurisdiction can be regarded a major market for capital-raising in the global context based on the size of market capitalization, the number of listed companies and cross-border capital activity.

#### *Qualitative elements*

- (d) The jurisdiction makes financial contributions to the setting of IFRSs on a continuing basis.
- (e) The jurisdiction has in place and in operation a robust enforcement mechanism to ensure proper implementation of relevant accounting standards.
- (f) The relevant national or regional standard-setting body, where it exists, is committed to actively contributing to the development of IFRSs.

## **Assessment Processes and Consequences:**

### *Periodic review of existing members*

- (a) Periodic review will take place every three years, starting in 2013, with possible *ad hoc* reviews as appropriate.
- (b) The review will start with a self-assessment by each member, complemented by additional information and data from other sources.
- (c) Eligibility of continued Monitoring Board membership will be assessed against the criteria with due consideration of the evolution over time towards full compatibility with all criteria.
- (d) If an existing member is found not to be fully or materially meeting the criteria, depending on the degree of non-eligibility, its voting rights could be suspended as decided by members other than the member in question.
- (e) If the situation under (d) above is not remedied by the time of the subsequent periodic review, or if there are clear signs of further material infringement of the criteria, its membership could be revoked by consensus of the other members.

### *Selection process for new members*

- (a) The selection of new members will start in 2013, at which time the Monitoring Board will designate eligible candidates against the agreed membership criteria.
- (b) If a candidate does not currently meet certain criteria, but demonstrates clear potential for filling the gap in a reasonable period of time, it may be made eligible for reapplication.

## **Next steps**

The Monitoring Board will commence assessment of existing members and the selection of new members in accordance with the above criteria and assessment processes. The Monitoring Board anticipates completion of the assessments and membership expansion in 2013. The Monitoring Board Charter will be updated to reflect the current membership criteria.

## **SELECTION OF MONITORING BOARD CHAIR**

Monitoring Board members elected Masamichi Kono, current Acting Chair of the Monitoring Board, as its Chair. Mr. Kono represents the Japan Financial Services Agency (JFSA) on the Monitoring Board. He is the Chairman of the International Organization of Securities Commissions (IOSCO) Board and Vice Commissioner for International Affairs of the JFSA.

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## **Notes to editors**

### **About the Monitoring Board of the IFRS Foundation**

The members of the Monitoring Board are the Emerging Markets Committee of the International Organization of Securities Commissions (IOSCO), the IOSCO Board, the Financial Services Agency of Japan (JFSA), the European Commission, and the US Securities and Exchange Commission (SEC). The Basel Committee on Banking Supervision is an observer.

Through the Monitoring Board, capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions will be able to carry out more effectively their mandates regarding investor protection, market integrity and capital formation.