



American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

March 30, 2011

Mr. Takashi Nagaoka
Director of International Accounting
Financial Services Agency of Japan
t-nagaoka@fsa.go.jp

Mr. Makoto Sonoda
Deputy Director, Corporate Accounting and Disclosure Division
Financial Services Agency of Japan
makoto.sonoda@fsa.go.jp

Gentlemen:

The American Institute of Certified Public Accountants (AICPA) is pleased to offer its comments on the IFRS Foundation Monitoring Board's February 7, 2011, Consultative Report on the Review of the IFRS Foundation's Governance (Consultative Report). The AICPA is the world's largest association representing the accounting profession, with nearly 370,000 members in 128 countries. AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting; membership is also available to accounting students and CPA candidates. The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, and federal, state, and local governments. The AICPA also develops and grades the Uniform CPA Examination.

Overall

We support the proposals contained in the Consultative Report unless otherwise noted below. In addition, we offer expanded commentary on certain proposals.

IASB

Question 1:

Do you agree with the proposal to urge concrete efforts to deepen the pool of candidates for IASB membership from diverse geographical and professional backgrounds? Please provide reasons for your agreement/disagreement.

We agree with the proposal to urge concrete efforts to deepen the pool of candidates for IASB membership from diverse geographical backgrounds. We believe, however, that in deepening the pool of candidates the significance of the various capital markets of the world should be taken into consideration. We also agree with the proposal to urge concrete efforts to deepen the pool of candidates for IASB membership from diverse professional backgrounds.

Question 2:

Do you agree with the proposal to separate the roles of the IASB Chair and the CEO of the IFRS Foundation, and if so would you have suggestions on how to formalize this? Please provide reasons for your agreement/ disagreement.

Yes, we agree with the proposal to separate the roles of the IASB Chair and the CEO of the IFRS Foundation.

Question 3:

Do you agree that clearer division of responsibility between staff dedicated to the IASB operations and staff dedicated to the Foundation's administrative and oversight functions should be considered, and if so would you have suggestions on how to formalize this? Please provide reasons for your agreement/disagreement.

We agree that clearer division of responsibility between staff dedicated to the IASB operations and staff dedicated to the Foundation's administrative functions should be considered. We believe, however, that staffing questions such as this more appropriately fall to the IFRS Foundation Trustees than to the Monitoring Board.

Trustees

Question 4:

Please provide comments on any aspects of Trustee composition or appointments that you believe the Monitoring Board should consider.

We believe that the process of selection of Trustees, with the added review by the Monitoring Board, has been working well. We believe, however, that a representative of a professional accountancy body, or of a consortium of professional accountancy bodies, should be considered for at least one of the Trustee seats.

Furthermore, we believe that, if in the future many nations adopt the IASB's standard for private entities, the private entity financial reporting constituency should have appropriate representation on the IFRS Foundation Trustees. Such representation would help to ensure full consideration of issues faced by private entities.

Question 5:

Do you agree with the proposal to provide increased transparency into the process for Trustee nominations? Please provide reasons for your agreement/ disagreement. To what extent should the Monitoring Board be involved in the nomination process?

We agree with the proposal to provide increased transparency into the process for Trustee nominations, because transparency inspires confidence in the process. Furthermore, we believe there should be a more visible consultative outreach to relevant organizations in accordance with the IFRS Foundation's Constitution.

Do you agree that further clarification of criteria for the Trustees' candidacy would help support confidence of the stakeholders? Please provide reasons for your agreement/disagreement.

We believe that further clarification of criteria for Trustees' candidacy is unnecessary. We believe there should be flexibility in choosing Trustees to meet the requirements of changing circumstances.

Monitoring Board

Question 6:

Should the membership of the Monitoring Board continue to be confined to capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions?

Yes, the membership of the Monitoring Board should continue to be confined to capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions. As nations adopt the IASB's standard for private entities, however, the Monitoring Board will need to be mindful of the needs of the private entity financial reporting constituency. For example, the IFRS Foundation Trustees should include representation from the SME community to ensure that those needs are being considered and the Monitoring Board should not stand in the way of that representation.

Do you agree with the proposal to expand the Monitoring Board's membership by adding a mix of permanent members ([four]) representing primarily major emerging markets and rotating members ([two]) from all other markets? Please provide reasons for your agreement/disagreement. How should the major markets be selected? Should a jurisdiction's application of IFRSs and financial contribution to standard-setting play a role?

Yes, we agree with the proposal to expand the Monitoring Board's membership.

Do you agree that rotating members should be selected through IOSCO? Please provide reasons for your agreement/disagreement.

Yes. We know of no better way to select rotating members.

Question 7:

Do you agree that the Monitoring Board should continue to make its decisions by consensus? Please provide reasons for your agreement/disagreement. Are there any types of decisions taken by the Monitoring Board for which voting other than by consensus (for example, by qualified majority) may be appropriate? If so please describe why and suggest an appropriate voting mechanism.

We believe the Monitoring Board should continue to make decisions by consensus, without exception, unless the composition of the Monitoring Board is changed to include members other than capital market authorities.

Question 8:

To ensure increased involvement of public authorities and other international organizations in Monitoring Board activities, do you support the Monitoring Board (a) expanding the number of Monitoring Board observers, (b) holding more formalized dialogue, or (c) establishing an advisory body, and on what basis? What should be the criteria for selecting participants?

We support establishing an advisory body, which could be organized for cost effectiveness on a regional basis, to ensure increased involvement of public authorities and other international organizations. We believe that either expanding the number of Monitoring Board observers or establishing an advisory body is necessary in order to hold more formal dialogue with public authorities and other international organizations and that adding a meaningful number of Monitoring Board observers would make Monitoring Board meetings inefficient and possibly ineffective.

Question 10:

What are the appropriate means and venues for the Monitoring Board to enhance the visibility and public understanding of its activities?

The Monitoring Board should have a section on the IASB website.

We would be happy to have the AICPA communication team consult with the Monitoring Board on enhancing its communication activities, and especially on communication with American CPAs.

Question 11:

Do you believe that the current arrangements for Monitoring Board involvement in the IASB's agenda-setting are appropriate, or should the Monitoring Board have an explicit ability to place an item on the agenda, or would you consider other alternatives that would enhance the Monitoring Board involvement in the IASB agenda setting? Please provide reasons.

We believe that the current arrangements for Monitoring Board involvement in the IASB's agenda-setting are appropriate. An explicit ability to place an item on the IASB's agenda could be seen as impairing the IASB's independence.

Question 12:

Do you have concrete suggestions on how the Monitoring Board or the Trustees could encourage a move towards a more stable and independent funding model?

We understand that the U.S. SEC will continue to study potential contribution mechanisms from the U.S. We believe that the SEC should budget funds for the support of the IASB Foundation. We believe any solution by the SEC would go a long way towards achieving a stable funding mechanism.

Question 13:

Do you believe that the Monitoring Board should have a more prominent role in the selection of the IASB Chair? Do you agree with the proposal that the role include involvement in establishing a set of publicly disclosed criteria for the Chair, and assessment of a short list of candidates against those criteria? Please provide reasons.

No, we do not believe that the Monitoring Board should have a more prominent role in the selection of the IASB Chair, as such a more prominent role could be seen as impairing the IASB's independence.

Do you believe that the Monitoring Board should be given any further, specific role in the selection of the IASB Chair? In particular, should the Monitoring Board approve the Trustees' final selection? Please provide reasons.

No, we do not believe the Monitoring Board should have any further, specific role in the selection of the IASB Chair, as we believe any such role could be seen as impairing the IASB's independence.

Question 14:

Do you agree that the Monitoring Board's responsibilities should explicitly include consultation with the Trustees as they further develop the framework to ensure proper

balance in the composition of the IASB? Please provide reasons for your agreement/disagreement.

We believe the general provisions of the Memorandum of Understanding enabling consultation between the Monitoring Board and the Trustees on appointment of Board members are adequate and that no more explicit responsibilities regarding such consultations are necessary or warranted. We believe that the creation of more explicit requirements regarding consultation on Board appointments would appear to infringe on the independence of the IASB.

Question 15:

Do you agree with the proposal to consider establishing a permanent secretariat for the Monitoring Board to support its increasing roles in overseeing the governance of the standard-setter? Would you support this proposal even if it would require additional financial contributions from stakeholders? Please provide reasons.

Yes, we agree with the proposal to consider establishing a permanent secretariat for the Monitoring Board to handle administrative matters. (A permanent secretariat should not, however, be a reason to expand the role of the Monitoring Board.) Furthermore, we urge the Monitoring Board to avoid establishing an expansive secretariat.

Other questions

Question 9:

Do you believe that the current arrangements for the standard-setting process adequately ensure the appropriate involvement of all relevant stakeholders and that all relevant public policy objectives are taken into account? Please provide reasons for your agreement/disagreement.

In general, we believe that the current arrangements for the standard setting process adequately ensure the appropriate involvement of all relevant stakeholders and that all relevant public policy objectives are taken into account. Because education and the dissemination of information about accounting standards fall disproportionately to professional bodies, however, we believe there should be a mechanism for greater involvement of professional bodies in the standard-setting process. Furthermore, we believe that, if in the future many nations adopt the IASB's standards for private entities, it will be imperative that the process be more open to the concerns of the private entity financial reporting constituency.

Question 16:

Do you agree with the need for regular reviews, and the interval of five years as a benchmark? Should the reviews be aligned with the timing of the Foundation's mandated Constitution reviews? Please provide reasons for your agreement/disagreement.

Yes, we agree with the need for regular reviews, and with the interval of five years as a benchmark.

Yes, we agree that the reviews should be aligned with the timing of the Foundation's mandated Constitution reviews.

* * * * *

The AICPA appreciates the opportunity to submit its comments and would be pleased to discuss them with the Monitoring Board at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Paul V. Stahlin". The signature is written in a cursive style with a large, looping initial "P".

Paul V. Stahlin, CPA
Chairman of the Board

Barry C. Melancon, CPA

A handwritten signature in black ink that reads "Barry C. Melancon". The signature is written in a cursive style with a large, looping initial "B".

President and CEO