



30 November 2015

Ms. Yael Almog
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Re: Comment on Request for Views

“Trustees’ Review of Structure and Effectiveness: Issues for the Review”

The Corporate Accounting Committee (CAC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on Request for Views “Trustees’ Review of Structure and Effectiveness: Issues for the Review” (hereinafter referred to as the RV) put out by the International Accounting Standards Board (IASB). The SAAJ is a not-for-profit organization providing investment education and examination programs for securities analysts. Its certified members number 26,000. The CAC is a standing committee of the SAAJ composed of 15 members, most of whom are users including equity and credit analysts, and portfolio managers, while a few others are academicians and public accountants. The CAC writes comment letters to global standard setters, including the IASB and the Accounting Standards Board of Japan (ASBJ), and exchanges opinions with organizations including the ASBJ and Financial Services Agency.

The CAC’s views on specific questions are explained below.

Q1 Considering the consequences referred to above, what are your views on whether the IASB should extend its remit beyond the current focus of the organisation to develop Standards; in particular for entities in the private, not-for-profit sector?

We recommend the IASB to remain prudent when it consider if its remit should be expanded. We believe the IASB should not change its primary focus on the development of accounting standards for public companies, given the situation that many important specific IFRSs are still either under development or in the research phase. Meanwhile, we expect the private not-for-profit sector will continue to be increasingly important in the economic activities. Accordingly we recommend the IASB to continue paying attention to the trends in the private not-for-profit sector with due care, in order to be well prepared to develop international standards for them when it becomes inevitable

in the future.

Q2 Do you agree with the proposal that the IASB should play an active role in developments in wider corporate reporting through the co-operation outlined above?

We, as financial reporting users such as securities analysts and investors, welcome the wider corporate reporting such as integrated reporting to enrich the information provided to us, making our corporate analysis more efficient. We think that the IASB should help improving wider corporate reporting with its expertise acquired over a long period of time. However, we fully agree with the view “The Trustees continue to view the organization’s existing forms of co-operation as a more appropriate approach than the IASB broadening the scope of its work into areas outside the traditional boundaries of financial reporting” in the paragraph 28 of the RV, because many important specific IFRSs are still under development. We expect the IASB will continue to get involved with this area as one of key actors, but not as a main actor, in such projects as corporate reporting dialogue (CRD).

Q3 Do you agree with the Foundation’s strategy with regard to the IFRS Taxonomy?

We agree with the Foundation’s strategy on the IFRS Taxonomy. Information vendors that use XBRL to provide users with the financial information are not necessarily familiar with accounting standards per se. Accordingly, we are concerned that, the risks have got ever higher for massive amount of misleading accounting information due to vendors’ misunderstanding to be disseminated instantly to enormous number of investors and used by them. We agree with the IFRS Foundation’s IFRS Taxonomy strategy because the active involvement and monitoring by the accounting standard-setter is essential to achieve the accurate digital representation of IFRS.

Q6 What are your views on what the Foundation is doing to encourage the consistent application of IFRS? Considering resourcing and other limitations, do you think that there is anything more that the Foundation could and should be doing in this area?

Specific standards of IFRSs are getting increasingly elaborated to reflect the increasingly complex commercial and financial transactions in the real world. We believe it would be a significant challenge for the IASB and the Foundation to achieve

the consistent application of IFRSs if they engage only in standard-setting. We regrettably feel that the IASB's education functions and activities are insufficient to appeal users of financial statements, and expect the IASB will address this situation more proactively by providing guidelines, education activities and post-implementation reviews in order to meet various stakeholders' needs.

We recommend the IASB and the Foundation to collect and analyze information on the accounting treatment on the specific business practice by jurisdiction or by industry. Considering resourcing and other limitation, it would be more sensible for the IASB and the Foundation to seek the collaboration with the national accounting standard setters or academia. We believe it is the first step for the consistent application to know the reality of diversity in practice. Given the global trend of expansion in the IFRS adopting jurisdictions, we believe the IASB should provide guidelines or education materials proactively where the significant diversity in application of IFRSs is identified by the research mentioned above.

Q10 Do you agree with the proposal to change the focus and frequency of reviews of strategy and effectiveness, as set out above?

We agree with the proposal to change the frequency of reviews of strategy and effectiveness to five-year cycle considering the IFRS Foundation's resourcing and other limitations. We would note, however, there are minority opinions that five-year cycle would be too long considering rapidly changing of economic and business environment.

We believe it would be more efficient for the IFRS Foundation to coordinate the frequency and timing of its reviews of strategy and effectiveness and the IASB agenda consultations. In this respect, we propose that the IFRS Foundation and the IASB to consider establishing an effective mechanism to monitor the progress in, as well as to identify the impediments to the implementation of its strategies and the work plan of the IASB to reflect the recommendations from the strategy reviews and the agenda consultations.

Q11 Do you agree with the proposals to reduce the size of the IASB as set out in the *Constitution* from 16 members to 13 and the revised geographical distribution?

We disagree with the proposal. In general, we agree that the discussion among fewer members tends to be more lively and focused than the one among larger number of members. Having said that, there seems no significant difference in the liveliness of the discussions between the ones by 16 members and by 13 members. We cannot find any

clear reason to have to reduce the size of the IASB from 16 members to 13 from the six factors in paragraph 90 of the RV. We find that current 14 members of the IASB have been working very well without any major problem since July 2014. Accordingly, we propose to amend the constitution to reduce the size of the IASB from 16 to the current 14 members instead of 13.

Q12 Do you agree with the proposal to delete Section 27 and to amend the wording of Section 25 of the *Constitution* on the balance of backgrounds on the IASB?

Some of us strongly oppose the proposals to add “market and/or financial regulators” to Section 25 of the *Constitution*. While the following does not represent the majority view of the CAC, we would note their view below because some other members find something convincing in their minority view (“we” hereafter represents the minority view of the CAC);

“Regulators can exercise the quite strong influence on the due process of the standard-setting, albeit indirectly, even now through the Monitoring Board. We accept that the three-tier governance system of the IFRS foundation and the IASB, but believe that the accounting standard-setting process per se should strictly be independent from the regulators and be left to the private sectors’ own discipline.

If it is needed to add some members with regulator backgrounds to the IASB, we believe it should be limited to the capital market regulators. Financial regulators directly regulate and supervise financial institutions and we are concerned that their regulation principles have inherent conflicts with the market discipline which we expect the IASB to respect.”

Sincerely yours,



Keiko Kitamura

Chair

Corporate Accounting Committee