

GOVERNMENT OF THE
REPUBLIC OF
SINGAPORE

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MINISTRY OF FINANCE

The Treasury

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IFRS Foundation Trustees
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Dear Sirs

**RESPONSE TO THE PUBLIC CONSULTATION PAPER: STATUS OF
TRUSTEES' STRATEGY REVIEW**

The Ministry of Finance, Singapore, is appreciative of the opportunity to respond to the public consultation paper on the Strategy Review by the Trustees. We wish to express our support for the Trustees' comprehensive review of the organisation's strategy in ensuring that it will be able to meet the challenges ahead. Our comments are as follows:

Mission: How should the organisation best define the public interest to which it is committed?

The current Constitution states, "These standards [IFRSs] should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions." *Should this objective be subject to revision?*

The financial crisis has raised questions among policymakers and other stakeholders regarding the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements. *To what extent can and should the two perspectives be reconciled?*

2. We agree with the principles encapsulated in the objective above, and are of the view that the fundamental purpose of financial reporting is to present a true and fair account of a company's affairs and activities in order to help investors and users of financial information make sound economic decisions. However, we understand that there could be differences in objectives and viewpoints between financial reporting and prudential regulation. A good example would be the use of fair value reporting in the financial crisis, and whether it induced pro-cyclicality and exacerbated the crisis.

3. The two perspectives should be reconciled to remove any major inconsistencies during the standard-setting process, but only to the extent that this is possible while ensuring that fundamental accounting principles are not compromised.

Governance: How should the organisation best balance independence with accountability?

The current governance of the IFRS Foundation is organised into three major tiers: the Monitoring Board, IFRS Foundation Trustees, and the IASB (and IFRS Foundation Secretariat). *Does this three-tier structure remain appropriate?*

Some stakeholders have raised concerns about the lack of formal political endorsement of the Monitoring Board arrangement and about continued insufficient public accountability associated with a private-sector Trustee body being the primary governance body. *Are further steps required to bolster the legitimacy of the governance arrangements (including in the areas of representation of and linkages to public authorities)?*

4. The Monitoring Board, IFRS Foundation Trustees and the IASB¹ play very different roles in developing a single set of high quality, understandable, enforceable and globally accepted financial reporting standards. We believe that a tiered structure is still appropriate to provide the necessary governance and accountability through clear delineation of roles and responsibilities. However, the specific roles and responsibilities of the Monitoring Board and Trustees may need to be reviewed, to avoid possible confusion or duplication of efforts.

5. We believe that the representation on the Monitoring Board could be improved to include more members from the smaller and emerging capital markets. The current members of the Monitoring Board may be unable to fully represent the diversity of views, given that they generally hail from the larger and more established capital markets.

Process: How should the organisation best ensure that its standards are high quality, meet the requirements of a well functioning capital market and are implemented consistently across the world?

Is the standard-setting process currently in place structured in such a way to ensure the quality of the standards and appropriate priorities for the IASB work programme? Will the IASB need to pay greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis?

6. In order for the IASB to ensure that its standards are of high quality, sufficient and rigorous public consultation is required. This is especially important for critical projects and those involving difficult concepts or practical issues. We note the rapid pace of issuance of new exposure drafts and standards over the past year, and are concerned that this would leave stakeholders with insufficient time to provide considered and well thought through responses to the IASB.

7. More time should also be given to reporting entities and regulatory authorities to better understand and assess the impact of changes. This will ensure that all stakeholders, including securities regulators and tax authorities, have sufficient time to absorb, prepare and make consequential changes to their laws or regulations, where necessary. Where changes to the standards are made or where new standards are introduced, the IASB should also ensure that there is a robust post-implementation review process.

¹ The Monitoring Board's role is to provide a formal link between the Trustees and public authorities that oversee accounting standard-setters. The Trustees, on the other hand, promote the work of the IASB as well as oversee the governance and funding of the organisation, but are not involved in the technical matters relating to the standards. This responsibility rests solely with the IASB, which is responsible for the development and publication of IFRSs.

8. On consistent application and implementation issues, we think that the IASB should pay greater attention to the different legal and business conditions in different regions of the world as part of the standards setting process. While it may not be possible to incorporate all differing legal and business conditions, there should be due consideration on the impact of these differences on the presentation of the commercial substance of business transactions in financial statements. A more principles-based approach could help in achieving a balance between accounting principles that are high-level enough to be applicable around the world, and offer sufficient scope for countries to implement the standards based on their legal and business framework.

Financing: How should the organisation best ensure forms of financing that permit it to operate effectively and efficiently?

Is there a way, possibly as part of a governance reform, to ensure more automaticity of financing?

9. It remains to be seen if a mandatory levy system could be imposed on the different countries, considering that there is no consensus currently on this matter. In the meantime, all countries should continue to contribute within their means. We would also encourage more central banks, accountancy firms and international accountancy networks to contribute to the funding of the IFRS Foundation.

Other issues

Are there any other issues that the Trustees should consider?

10. We would like to raise three issues for the Trustees to consider. First, the financial crisis has highlighted the value of information in the financial statements. The IFRS Foundation could consider the perennial question of the value of historical facts versus forecast in decision-making and whether management forecast, while difficult to verify, may provide more decision-useful information. Second, the IFRS Foundation could consider the interests of not just investors, but also creditors, as a key stakeholder group in the standards-setting process, and recognise as such in the IFRS Foundation's Constitution.

11. Third, we note that the process for the strategic review is still at a preliminary stage, and there is currently a related consultation paper issued by the Monitoring Board focusing on specific institutional aspects of the governance of the IFRS Foundation. As this is an important review which could potentially impact the standards-setting process, we are of the view that the IFRS Foundation should issue a follow-up consultation paper after it has deliberated on the feedback received.

12. We hope that our comments would be given due consideration by the Trustees. Please contact the undersigned for any clarifications. Thank you.

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