

CHARTER OF THE IFRSF MONITORING BOARD

PREAMBLE – THE MISSION OF THE IFRSF MONITORING BOARD

WHEREAS, the primary objective of general purpose financial reporting is to provide financial information about the issuer to capital providers;

WHEREAS, the quality of the financial information issuers provide is essential to the confidence of capital providers in making investments;

WHEREAS, capital markets authorities are generally charged with determining the financial information issuers must give to capital providers, and historically have looked to private independent bodies to assist in establishing those standards;

WHEREAS, International Financial Reporting Standards (“IFRS”) are increasingly used around the world, neither the setter of these standards, the International Accounting Standards Board (“IASB”), nor its public interest overseer, the International Financial Reporting Standards Foundation (“IFRSF”), currently has a formal accountability mechanism to capital markets authorities;

WHEREAS, establishing a formal relationship between capital markets authorities and the IFRSF will facilitate the ability of capital markets authorities that mandate or permit the use of IFRS in their jurisdictions to effectively discharge their mandates relating to investor protection, market integrity and capital formation;

The members of the IFRSF Monitoring Board:

RESOLVE THAT THE IFRSF MONITORING BOARD’S MISSION IS:

To cooperate to promote the continued development of International Financial Reporting Standards as a high-quality set of global accounting standards;

To monitor and reinforce the public interest oversight function of the IFRSF, while preserving the independence of the IASB. In that regard:

To participate in the selection and approval of the IFRSF Trustee¹ appointments; and

To advise the IFRSF Trustees with respect to the fulfillment of their responsibilities, in particular with respect to regulatory, legal and policy developments that are pertinent to the IFRSF's oversight of the IASB and appropriate sources of IFRSF funding;

To discuss issues and share views relating to International Financial Reporting Standards, as well as regulatory and market developments affecting the development and functioning of these standards;

DECIDE to carry out its mission, to assemble together, in the IFRSF Monitoring Board, governed by the present Charter having regard to the IFRSF Governance Review and in pursuit of constituting an effective and sound governance structure around the activities of the IFRSF.

Article 1 Description of the IFRSF Monitoring Board

A. The IFRSF Monitoring Board is a group of capital markets authorities that are responsible for setting the form and content of financial reporting in their jurisdictions, have a responsibility to protect and advance the public interest and are strongly committed to supporting the development of high quality international accounting standards, as demonstrated by satisfaction of the Monitoring Board membership criteria as set forth in Appendix A².

B. The IFRSF Monitoring Board is composed of members and

¹ The terms "IFRSF Trustee" and "IFRSF Trustees" in this Charter have the same definition as "Trustees" in the 2009 Constitution of the IFRSF, as amended from time to time, available at www.iasb.org.

² The IFRSF Monitoring Board undertakes periodic assessment of members in accordance with assessment processes and consequences shown in Appendix B.

observers as set forth at Appendix C. The IFRSF Monitoring Board may in the future include representatives of other capital markets authorities as described in subparagraph A as members.

C. The IFRSF Monitoring Board is not a legal entity.

Article 2 Role and Duties of the IFRSF Monitoring Board

The role and duties of the IFRSF Monitoring Board are as described in the Memorandum of Understanding among the founding members of the IFRSF Monitoring Board and the Chairperson of the IFRSF Trustees on behalf of the IFRSF, as modified from time to time.

Article 3: Organization of the IFRSF Monitoring Board

A. The Chair of the IFRSF Monitoring Board shall rotate among its members. Each term as chair will last two years.

B. The Chair of the IFRSF Monitoring Board shall provide the group's secretariat services.

C. The IFRSF Monitoring Board will not have a budget. Each member of the IFRSF Monitoring Board will pay its own expenses related to participation in the IFRSF Monitoring Board.

Article 4 Chair

The Chair will be chosen from among the IFRSF Monitoring Board members and will serve for a term of two years.

The Chair, *inter alia*:

A. shall preside over IFRSF Monitoring Board meetings, including proposing relevant questions for discussion and

membership votes;

- B. shall serve as the liaison between the IFRSF Monitoring Board and other organizations;
- C. shall schedule IFRSF Monitoring Board meetings as required by this Charter, including those with representatives of the IFRSF and the IASB, and shall establish a draft agenda for distribution to and consultation with the IFRSF Monitoring Board Members in advance of meetings;
- D. as appropriate, shall propose committees of the IFRSF Monitoring Board to the membership, which shall be agreed and appointed in accordance with the voting procedure set out in Article 9 of the Charter; and
- E. shall provide leadership for IFRSF Monitoring Board deliberation on issues relevant to the current and future status of public interest oversight of the IFRSF and International Financial Reporting Standards.

Article 5 New Members

- A. Decisions regarding whether to admit new members to the IFRSF Monitoring Board shall be made by consensus. New members must meet the membership criteria in Article 1.A.
- B. Prospective member organizations shall provide the IFRSF Monitoring Board with a declaration, signed by an authorized official, that the prospective member organization has reviewed and accepts the Charter of the IFRSF Monitoring Board.

Article 6 Observers

- A. The IFRSF Monitoring Board members, by consensus, may

admit certain organizations to be observers to the IFRSF Monitoring Board.

- B. Observers may attend any meeting of the IFRSF Monitoring Board, unless decided otherwise by its members.
- C. Observers shall not vote in any IFRSF Monitoring Board decisions, but may share their views with IFRSF Monitoring Board members in discussions surrounding IFRSF Monitoring Board decisions.

Article 7 Meetings

- A. The IFRSF Monitoring Board will meet at least annually on its own.
- B. The IFRSF Monitoring Board will meet at least annually with all or a quorum of the IFRSF Trustees, the Chairperson of the IFRSF Trustees, and/or the Chairpersons of the IFRSF Trustees and the IASB.
- C. The Chair shall provide advance notice regarding meetings to the IFRSF Monitoring Board members and observers.
- D. The Chair shall prepare and transmit a proposed agenda to the IFRSF Monitoring Board members and observers in advance of meetings. IFRSF Monitoring Board members and observers may contribute items to the agenda.

Article 8 Attendance

- A. IFRSF Monitoring Board members and observers should endeavor to attend all Monitoring Board meetings.
- B. The leader of each IFRSF Monitoring Board member and observer will be the member's representative on the IFRSF

Monitoring Board. In exceptional circumstances, the leader may designate another senior official from a Monitoring Board member to represent it as necessary and appropriate. Additional persons from each organization may also attend as necessary and appropriate.

- C. A member of the IFRSF Monitoring Board may not occupy more than one seat on the IFRSF Monitoring Board, even if representing a separate organization.

Article 9 Voting

- A. Decisions of the IFRSF Monitoring Board, including the selection of a chairperson, shall be made by consensus among its members.
- B. Whenever, in the judgment of the Chair, any action by the IFRSF Monitoring Board must be taken which should not be postponed until the next meeting, the Chair shall request that the IFRSF Monitoring Board members vote without meeting. Votes may be cast in person or by mail, phone, facsimile or e-mail.

Article 10 Termination

The IFRSF Monitoring Board members may terminate the IFRSF Monitoring Board at any time by consensus.

Article 11 Amending the Charter

- A. The Charter can be amended by consensus of IFRSF Monitoring Board members.
- B. The Charter may be amended by the IFRSF Monitoring Board members at any meeting thereof or by vote without a meeting as provided in Article 9, Subparagraph B.

APPENDIX A

Membership Criteria:

General

- (a) The member must be a capital market authority responsible for setting the form and content of financial reporting in its jurisdiction; with a responsibility to protect and advance the public interest; and strongly committed to supporting the development of high quality international accounting standards.

Use of IFRSs

- (b) 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.
- (c) 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

- (d) 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

- (e) The jurisdiction makes financial contributions to the setting of IFRSs on a continuing basis.

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

APPENDIX B

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

- (f) The selection of new members will start in 2013, at which time the Monitoring Board will designate eligible candidates against the agreed membership criteria.
- (g) 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.

Note:

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, beginning with the 2016 periodic review of members against the membership criteria.

APPENDIX C

IFRSF Monitoring Board Members³

Comissão de Valores Mobiliários of Brazil

European Commission

Financial Services Agency of Japan

Financial Services Commission of Korea

United States Securities and Exchange Commission

Board of the International Organization of Securities Commissions (IOSCO)

Growth and Emerging Markets Committee of IOSCO

IFRSF Monitoring Board Observers

Basel Committee on Banking Supervision

³ As stated in the Final Report on IFRSF Governance Review published in February 2012, Monitoring Board membership was to be expanded to include additional authorities (up to four) and rotating seats (two) to be selected in consultation with IOSCO.

As of January 2014, the Comissão de Valores Mobiliários (CVM) of Brazil and the Financial Services Commission of Korea have become permanent members in accordance with this procedure.