



# Accounting Standards and Financial Transparency

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New Delhi, 14 June 2009



# Accounting on the Global Agenda

## ▪ **The Fair Value Discussion**

- Pro-cyclicality / illiquid markets; link with capital regulations
- Adjustments by standard-setters under political pressure
  - IASB: Reclassifications (Oct 2008), Financial Instruments (Jul 2009)
  - FASB: Impairments (Apr 2009), Financial Instruments (Jul 2009)
- Rifts among regulators:
  - prudential (stability) vs securities (transparency)?
  - BIS input

## ▪ **The Governance Discussion**

- Monitoring Board: outlined 2007, implemented 2009
- Members: IOSCO (Global+Emerging), SEC (US), EC (EU), FSA (JP) + BIS as observer
- 'Constitution Review Part 2', ongoing
- Change in funding model: companies → countries



## The European Situation

- **Europe endorsed IFRS in 2000-02**

- Internal harmonisation
- Level playing field with US
- Leadership effect

*“The European Union’s decision to adopt an internationally recognised set of standards, rather than create a uniquely European accounting system, provided the necessary encouragement for other countries to adopt a similar approach”*

David Tweedie, Testimony to the US Senate, 24 October 2007

- **Second thoughts**

- IASB is independent: ie, not responsive to EU specific interests
- Endorsement process gives limited leverage
- Lack of Commission clout and direction



## The US Situation

- **Nov 2007 elimination of reconciliation with US GAAP**
  - Aug 2009: 137 out of 1000+ foreign registrants have chosen IFRS
- **Nov 2008 consultation on 'Roadmap'**
- **IASB Independence and funding**

*"When it comes to international accounting standards, it's critical that these standards are converged in a way that does not kick off a race to the bottom.*

*"American investors deserve and expect high standards of financial reporting, transparency, and disclosure -- along with a standard-setter that is free from political interference and that has the resources to be a strong watchdog.*

*"At this time, it is not apparent that the IASB meets those criteria, and I am not prepared to delegate standard-setting or oversight responsibility to the IASB."*

Mary Schapiro's written response to US Senator Carl Levin, January 8, 2009

- **Cost of transition / crisis context**



## The Asia / BRICs Situation

- **India: IFRS mandatory for FYs from 1 Apr 2011**
- **China: new standards close to IFRS since 2007**
- **Japan: voluntary adoption, convergence, decision in 2012**
- **Korea: IFRS mandatory for FYs from 2011**
- **Brazil: IFRS mandatory for FYs from 2009**
- **Lagging involvement in the Governance debate**
  - First Chinese IASB Member (Zhang WeiGuo) appointed July 2007
  - First Indian (Prabhakar Kalavacherla) appointed January 2009
  - China, India not yet permanently represented in Monitoring Board



# Choices for the IASB & Foundation

- **Governance Reform**

- Mandate, funding, stakeholders
  - Does the IASB work for governments, users, both?
  - Independence at stake = purpose of the organisation

- **Public strategy and outreach**

- Role / skills of IASB & Trustees

- **Implementation and enforcement?**

- Who provides guidance (“rules”)?
- European Chief Accountant?

- **Alternative scenarios**

- Global duopoly – but looks unstable
- Regional fragmentation
- Competing global standard-setter



# Thank You For Your Attention

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