

An interview with Pedro Malan

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Speaker: Pedro Malan, IASC Foundation Trustee

Pedro Sampaio Malan, current Chairman of Brazil's third largest private bank, [Unibanco](#), joined the [Trustees](#) in March.

He is not only a former president of the [Central Bank of Brazil](#) and former finance minister during the Cardoso presidency, he is also credited with successfully reforming the nation's banking system, saving it from the negative effects of 1997's Asian market crisis.

On the basis of his experience he strongly believes in a global accounting language and that experience should remain one of the fundamental criteria for membership in any of the bodies of the IASC Foundation.

Mr Malan, why did you decide to become a Trustee?

There are two things.

First, my conviction that the international economy needs and will benefit enormously from the adoption of a single set of financial reporting standards.

Secondly, I have received strong encouragement from some leading personalities involved for a long time in this effort, such as Paul Volcker, among others, in the US, in Europe and, very relevant to me as well, encouragement from those who have been leading the way towards IFRS adoption in my own country, Brazil.

Do you have some personal goals that you aim to achieve during your time as a Trustee?

I hope to make a modest contribution to moving the process forward, helping to ensure even wider adoption of IFRSs than we have today, especially in the leading countries of the global economy. And I want to contribute to making IFRS a brand name by working together with my fellow Trustees, the IASB, national regulators and professional and public opinion makers in my region, especially in Brazil at the moment.

More and more countries are adopting IFRSs and it seems that the US is also moving in that direction. Is there much left to do?

I have a very positive view of the progress achieved so far. But as always in complex undertakings such as this, there is no room for complacency. We still have a long way to go.

However, attaining the ultimate fundamental objective that led to the creation of the IASB is now clearly within our reach.

What do you think will be the main challenges for the Trustees over the next couple of years?

In addition to maintaining the forward momentum for a wider adoption of IFRSs, to move ahead with the Constitution Review is certainly important. I hope the review will ensure that the integrity of IFRSs and the independence of the IASB will be further consolidated.

At the same time, the Trustees should be able to show to a wider public that we are a part of a transparent and accountable organisation that is overall widely respected for its technical expertise, consensus or convergence seeking capabilities and strategic vision of its Boards and Monitoring Groups.

The IASC Foundation is unique as a private body that is effectively setting laws in different countries. However, it is totally independent of any national influence and is not subject to any official supervisory body. This has led some to voice concerns over a lack of transparency and oversight.

I have just been nominated as a Trustee of the IASC Foundation and therefore I am not the best person to give a full reply to this question.

But from what I have read and seen so far, I do not think that the criticism is entirely justified.

One of the concerns voiced relates to governance issues and the oversight function of the Trustees. It seems to me that the first is being addressed in the context of the regular Constitution Review that has just started. And given the outstanding quality of the other Trustees, I am under the impression that we have all the conditions to exercise our oversight responsibilities properly—even more so once we are supported by a well functioning Monitoring Group with representatives of the regulatory agencies and other interested organisations.

With IFRSs adopted or accepted in a growing number of countries around the world there is also some discussion emerging about the national representation of Trustees and IASB members.

Yes, as we move forward in establishing the IFRS brand name as the global set of standards for financial reporting on a wider basis than the one already achieved, and with emerging markets increasing their weight in global capital markets, the issue of representation is bound to emerge more forcefully.

But I believe that if the Trustees are to be an effective functioning mechanism their total number should not be much bigger than the 22 at present.

With regard to the IASB composition, our [constitution](#) states clearly and rightly that ‘the Trustees shall ensure that the IASB is not dominated by any particular constituency or geographical interest... the main qualifications for membership of the IASB shall be professional competence and practical experience.’

I think these should remain the basic criteria, even when we consider enlarging the current Board slightly. For me the same applies to the IFRIC and especially the [SAC membership](#), where broad geographical representation is indeed very important.

Do you think countries like Brazil feel sufficiently involved in the process of creating IFRSs?

In everything in life there is room for improvement.

I would be naïve if I said that the country as a whole is firmly behind IFRSs or even that the country feels sufficiently involved. But I am sure that there is a growing recognition of the critical importance of Brazilian firms adopting a high quality global standard based on principles that are transparent and internationally comparable. However, there is surely room for improvement in terms of making this view more widespread—both in Brazil and in Latin America overall.

What can be done to ensure ongoing commitment of the international community and its actors in the different capital markets and to counter potential fears of ‘dominance’ of certain countries?

I believe that the composition of the [IFRIC](#) and of the [SAC](#) could and should be used to allay some of the fears and concerns of those keen on geographical balance. However, this should always be done under the condition of preserving technical competence and experience as the fundamental criteria for membership in these bodies.

The development of IFRSs as the global accounting language is an evolving, living process. At the moment we should be concerned to maintain and establish open channels of communications with all legitimate stakeholders, and with the integrity of the process.

Stakeholders must know that there is room and there are ways to express their views on the IASB proposals and possibly influence the further development of these proposals. The more effectively

these communication channels are known and used, the less there will be fears of 'dominance' by a country or region.