

It is always a pleasure to be here in Washington, because believe it or not, Washington is the birthplace of the IASB. It was former SEC Chairman Arthur Levitt who was the driving force after the Asian Financial Crisis of the late 1990s. He encouraged the appointment of Paul Volcker as the first Chairman of our Trustees and it was Paul Volcker that appointed my predecessor, Sir David Tweedie.

The SEC's interest in our work was driven by what I would like to call enlightened self-interest. Arthur Levitt knew that US investors were increasingly investing abroad. That meant they had to rely on accounting standards outside of the control of the SEC. In order to protect US investors, the SEC had an increasing interest in helping to raise the quality of financial reporting internationally. This was the main reason for strong support by the SEC in creating the IASB.

Today, the level of economic globalisation has increased significantly. According to US Treasury data, US investors hold over six trillion dollars of foreign debt and equity securities. A majority of these securities originate in IFRS jurisdictions. America's largest trading partners are on IFRS – The EU, Canada, Mexico, Brazil, Korea, while China is closely converged.

In addition, more than 450 non-US companies that report in the US are using IFRS. Their combined market cap exceeds 5 trillion dollars. US multinationals also have extensive operations and subsidiaries in IFRS jurisdictions. In summary, there is a very large IFRS footprint in the United States and it is growing by the day.

Looking back on the past year, I can only conclude that 2013 has been a very productive year for the IASB. We have taken many concrete steps towards accomplishing our mission of bringing transparency to the world. Many of you will be unaware of this progress, and so it is worth briefly recapping on these achievements. To illustrate this progress, I will use the conclusions of the SEC's 2012 Staff Report on IFRS as a yardstick.

One of the main conclusions of the SEC Staff Report was the need to deepen cooperation with national standard-setters such as the FASB. In April this year, we created an Accounting Standards Advisory Forum or ASAF to fulfil exactly that requirement. Russ Golden and other participants in the ASAF have talked positively about the importance of these meetings for ensuring that IFRS meets the needs of all capital markets, including the US. The ASAF has met three times during 2013 and we could not have hoped for a better start.

Next, and this will be of particular interest to the preparers in this room, the SEC Report noted some scary estimates about the cost of transition to IFRS for US issuers. So, we thought it would be helpful to look at Canada's experience of IFRS adoption. Canada is not a

perfect proxy for US markets, but Canadian GAAP was very similar to US GAAP so their experience is insightful.

We and the Canadian Accounting Standards Oversight Council co-funded an independent survey by FEI Canada on transition costs from Canadian GAAP to IFRS. 62% of those companies surveyed reported transition budgets under \$500,000. For larger companies with revenues of more than one billion dollars, the highest recorded transition cost was less than zero point one per cent of turnover. These numbers are consistent with surveys elsewhere such as in Europe and Korea, so we know the costs of transition are manageable.

The SEC Report also touched upon a lack of clarity on the extent to which IFRS jurisdictions had actually adopted the standards. So, during 2013 former IASB Board member Paul Pacter has led a major research programme looking to answer exactly that question.

He began with a survey of jurisdictional authorities about their position on IFRS. He then validated these responses against information from the large accounting firms, securities regulators and others. Finally he went back to the jurisdictional authorities to cross-check his findings. As a result of this approach, we have a high degree of confidence in the veracity of the research. It makes fascinating reading.

Of the 122 countries researched so far, nearly all have made a public commitment to IFRS as global standards. More than 100 of the 122 countries surveyed have already adopted IFRS for most or all domestic listed companies, while many of the remaining 21 permit IFRS for at least some of those listed companies. More importantly, very few jurisdictions have made modifications to the standards, and where they did, they were regarded as temporary. So, we now have firm evidence that IFRS use is widespread, and that most jurisdictions are adopting IFRS in the right manner.

A further conclusion of the Report was the importance of ensuring that international standards are applied and enforced on a globally consistent basis. Consistent with this observation, in September 2013 we entered a joint Statement of Cooperation with IOSCO, the international organisation of securities regulators of which the SEC chairs the accounting policy committee.

As a result of this agreement, the IASB and IOSCO will work together in a proactive manner to encourage greater consistency in the implementation and enforcement of IFRS. This important step formalizes an already very constructive relationship. It will serve as the bedrock for continued cooperation between the IASB and IOSCO. It signposts our shared commitment to global accounting standards.

There are several other areas of progress during 2013. For example, we are working in close cooperation with the CFA Institute and other investor representative bodies to further enhance the already high levels of investor education and understanding of IFRS. Finally, we have also seen during the year significant progress in Japan using voluntary adoption of IFRS

as a way to satisfy the needs of those that wish to benefit from global standards without imposing on others the transitional burden. Personally, I believe Japan provides an interesting template for the US to explore.

I will leave it at that. The IFRS footprint in the US is already large, and will only grow. Meanwhile, during 2013 we have made excellent progress towards our mission of global accounting standards. We have created the ASAF, we have signed an agreement with IOSCO and we have published important research on the use of IFRS. At the same time, I am delighted to see the progress made in Japan and elsewhere towards full IFRS adoption.

In sum, 2013 was a year well spent and we are looking forward to a new year that will hopefully be equally productive.

Ladies and gentlemen, I thank you for your time and welcome your questions.