

Prepared remarks by Ian Mackintosh, Vice-Chairman of the IASB
AICPA Conference on Current SEC and PCAOB Developments

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It is a great pleasure to be with you once again, at this yearly 'Woodstock of Accountancy'.

The US is still by far the biggest national capital market in the world. Indeed, other parts of the world are very busy trying to emulate the success of the American capital markets. Europe wants to create a 'Capital Markets Union' and reduce its dependence on bank finance. And both Japan's growth strategy and China's 'reform 2020' programme stress the importance of well-functioning capital markets.

These developments represent tremendous opportunities for American companies and investors. But they need reliable financial information to make good use of them. Information that tells market participants about opportunities and that warns them about risks.

The mission of the IASB is to create trusted financial standards for the world economy; Standards that bring transparency, accountability and efficiency to global capital markets.

The last time we counted, 114 jurisdictions had adopted IFRS, while 12 more permit its use. We continue to see good progress in Japan, where 25 per cent of the market cap will soon be using IFRS. More than 250 Chinese companies, equivalent to 30 per cent of the Chinese market cap, use IFRS for their listings in Hong Kong.

See slide 2 Overview of the Jurisdiction Profiles

For American investors, the replacement of a myriad of national accounting languages by a single global standard represents clear progress.

American investors currently hold more than \$7 trillion in debt and equity securities of companies from IFRS jurisdictions. It is a major benefit to these investors that they can now compare financial statements from Brazil to South Africa to Korea. Only last week, we launched a major new programme called '*Investors in Financial Reporting*'. This programme is designed to deepen our co-operation with buy side investors. We were very happy that major institutional investors such as Blackrock, Fidelity, Henderson and some big European pension funds were willing to participate in the launch phase of this important programme.

See slide 3 US investors foreign investments in IFRS

I realise that most of you here today are not investors, but that your background is as preparers. As most of you continue to work with US GAAP, the relevance of IFRS to you may be less obvious.

Still, I believe that IFRS is increasingly relevant for many American companies as well. As you can see from the slide, more than 50 per cent of the Fortune 500 companies are reporting in IFRS. That means that an increasing number of American companies will be compared with peers that use IFRS. IFRS also makes it easier for American companies to understand the reporting of their competitors, business partners and potential acquisition targets. Streamlining internal reporting across subsidiaries is facilitated by the common use of IFRS.

See slide 4 Use of IFRS in Fortune Global 500

Even if there is no additional progress on adopting IFRS in the US, many of you will interact with it at some point in your career.

Whether it is working for a multinational, working overseas, negotiating cross-border business or reading foreign competitors' financial reports, IFRS is likely to be relevant to you sooner or later!

Obviously, to derive the full benefits of IFRS, adoption alone is not enough. Proper implementation and application of the Standards are also essential. The IASB takes an active interest in this matter. So we are keen to know how our Standards are actually being applied. Let me tell you a little bit about what we know now.

Firstly, we have conducted meticulous research into the way that our constituents have adopted IFRS. We came to the conclusion that most jurisdictions have resisted tinkering with our Standards. Local adaptations are few, and where they exist, they are mostly transitory in nature. So the commonly held view that most jurisdictions make their own version of IFRS is clearly fiction.

Secondly, we know that in many countries, the introduction of IFRS was truly a game changer in terms of application and enforcement. Take Europe, for example. ESMA, the European body of securities regulators, is now able to compare notes across national borders. Differences in application were previously hidden behind national GAAPs. Now they are being exposed and addressed by European regulators. Scott Taub, formerly Deputy-Chief Accountant of the SEC, recently stated he was impressed by the input of European regulators while he was a member of our Interpretations Committee.

We are also very happy that the SEC itself is a powerful voice at the global table for high quality accounting standards.

The SEC oversees the financial reporting of nearly 500 foreign issuers filing IFRS financial statements. As such, it is an active and valued force seeking to drive consistent application of IFRS around the world.

In the next couple of years we plan to collect more evidence on the quality of application of IFRS around the world. We cherish the brand of IFRS and will do all we can to protect its value. As we are not an enforcement agency, we need the help of others. We will use our close working relationship with IOSCO and individual securities regulators to achieve this goal.

Finally, I would like to say a few words on convergence. Next month, we will probably have our last meeting with the FASB on the Leasing Standard. We have not reached agreement on every aspect, but we are 100 per cent converged on the fundamental issue, which is that leases are present obligations that need to be recognised as liabilities on the balance sheet. With the end of the leasing project we will reach the end of a decade of work on our convergence projects. In that decade, the bilateral relationship between the FASB and the IASB dominated much of our work programmes. So the question is: how do we take it from here?

Almost two years ago, the IASB founded the Accounting Standards Advisory Forum, which brings together 12 national and regional accounting standards bodies. It heralded a new, multilateral setting for our standard-setting, which properly reflects our identity as an international body.

Still, both Russ and I believe that the bilateral relationship between the FASB and the IASB needs to remain strong. We have a joint responsibility to protect the body of convergence that has been reached and to minimise differences in the future.

Convergence was not a perfect process but it was a good one and we achieved a great deal. The similarities between the two sets of Standards are bigger than the differences. We both work in the same public interest, serving the needs of investors in public capital markets. For all these reasons, the IASB looks forward to continue working closely with the FASB.

See slide 5 Convergence

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