

IFRS Foundation Speech

Opening remarks

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Speaker: Michel Prada, Chairman, IFRS Foundation Trustees

Event: IFRS Foundation stakeholder event, Beijing, China

Introduction

Ladies and gentlemen, distinguished guests, on behalf of the Trustees of the IFRS Foundation I welcome you to this evening's event. The Trustees are responsible for the governance, oversight and strategic direction of the International Accounting Standards Board (IASB) and its work to establish International Financial Reporting Standards (IFRS) as the global language of financial reporting. We meet several times a year in different parts of the world, and this week we have been meeting here in Beijing.

On behalf of the Trustees, I would like to express my deep appreciation for the Keynote Speech by Mr Dai Bohua, Assistant Minister of the Chinese Ministry of Finance. We had very fruitful discussions with the Assistant Minister earlier this week, and I very much look forward to our future co-operation. I also wish to note the long-term support of Mr Lou Jiwei, Minister of the Chinese Ministry of Finance, who has played such a leading role in China's transition to modern accounting standards.

Finally, I would like to thank Director-General Yibin Gao of the Accounting Regulatory Department of the Ministry of Finance for his excellent co-operation in helping us to organise this event, but also for the ongoing work to maintain convergence between Chinese GAAP and IFRS.

During these opening remarks, I will briefly update you on our progress around the world. I will then say a few words about IFRS and China, and finally I will offer some thoughts on the possibilities for deepening co-operation here in China.

Progress around the world

Back in May 2000, I chaired a meeting in Sydney of securities regulators from around the world, known as the International Organization of Securities Commissions, or IOSCO. Dr Zhou Xiao-Chuan, then the Chairman of the China Securities Regulatory Commission and now Governor of China's central bank, represented China.

During that meeting, IOSCO decided to recommend the use of international accounting standards for the purpose of cross-border listings. That decision led to the restructuring of the old part-time international standard-setter into the full-time IASB of today. The organisation was given a highly ambitious mission to create a single set of high quality, global accounting standards.

15 years later, we have seen truly remarkable progress towards that goal. Of 140 countries that we have researched thus far, 116 require the use of IFRS for all or most publicly listed companies, while most of the remaining countries at least permit the use of IFRS.

Moreover, there continues to be widespread support for the goal of global standards, across the G20 Leaders and the various international institutions responsible for the wellbeing of the global financial system. IFRS is one of several international standards designated by the Financial Stability Board (FSB) as being key for sound financial systems and deserving of priority implementation.

Indeed, two weeks ago the FSB reiterated its support for a single set of global accounting standards and called for continued efforts to achieve this goal.

So, we have achieved a great deal, in a relatively short period of time. However, we have much more to do.

Although pretty much every country in the world has made substantial progress towards IFRS, the IFRS map of the world is not yet complete.

We also need to work with others to encourage greater consistency in the application of the standards, and we need to make sure that the IFRS Foundation and the IASB continue to evolve in order to deliver against their global mandate.

Finally, the Trustees are currently consulting on the structure and effectiveness of the IFRS Foundation, while the IASB is consulting on its future agenda. I encourage you all to respond to these consultations. China is a very important stakeholder in our work, and we greatly value your feedback.

China and IFRS

This brings me on to my second point, about China and IFRS. This is my fourth visit to Beijing since being appointed as Chairman of the Trustees in 2012, and I continue to be impressed with every visit. In particular, the National Accounting Institutes in Beijing and Shanghai, which I have visited, and also Xiamen are truly outstanding teaching facilities.

It is clear that the Chinese government has put tremendous investment into the human capital and other infrastructure for financial reporting. Both IASB Chairman Hans Hoogervorst and I have had the pleasure of speaking at the institutes, and the quality of the debate is as good as anywhere that we have visited.

There is no doubt that China has made great strides towards global accounting standards. In 2006, under the leadership of Minister Lou, then Executive Vice-Minister of Ministry of Finance, and Chairman of the Chinese Accounting Standards Committee, China established a complete set of new accounting standards that are substantially converged with IFRS. The adoption of the new Chinese Accounting Standards has significantly enhanced the quality and consistency of financial reporting within China.

The Trustees greatly appreciate China's ongoing support for our mission, and our work. China is a generous financial contributor to the work of the IFRS Foundation. We are honoured to have Jin Liqun as a Trustee of the IFRS Foundation, Wei-Guo Zhang as a member of the IASB, and Li Feilong as a member of the IFRS Interpretations Committee.

We have a secondee from the Ministry of Finance on the technical staff of the IASB, while Chinese stakeholders contribute greatly to the development of IFRS through participation in working groups and by submitting comment letters. Furthermore, China is a member of the Accounting Standards Advisory Forum (ASAF) and the IFRS Advisory Council and provides the secretariat for the IASB's Emerging Economies Group.

This extensive Chinese participation in our work has helped to ensure that IFRS is capable of being applied in a Chinese environment. Good examples of this include recent Standards on

related party transactions and the IASB's reform of insurance accounting, as well as work to look at the accounting for emissions trading. In these and many other areas, China has a very important role to play.

Future co-operation

And this brings me to my third and final point. As the second largest economy in the world, China is hugely influential on the world stage. The Third Plenum signalled China's ambition to further liberalise cross-border capital and financial transactions, and to enhance regulatory co-ordination with others.

China has been a good friend in our work to achieve truly global accounting standards, and has repeatedly expressed Chinese support for this goal. Consequently, the question I have is, whether 10 years after the Beijing Agreement, is now the time to consider further steps towards the goal of full convergence? I look forward to this and many other interesting topics being discussed by the panel.

My personal view is that China has much to gain in doing so, in terms of international confidence in China's capital market as well as Chinese leadership in establishing standards for global finance. This is particularly true for Chinese companies that are highly internationally exposed and therefore have no difficulty dealing with international standards. We also have much to gain from you doing so.

Of course, this is a decision for China alone, but we at the IFRS Foundation will support you on every step of that journey.

Close

I will now hand across to Yvonne Kam to moderate this distinguished panel of presenters, and I look forward to continuing these discussions over dinner.

Thank you.